# FINANCIAL TIMES

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## WORLD NEWS

### US and Europe in wrangle with Nato over Kosovo troops

European and American defence ministers failed to respond to an appeal by the head of Nato for a commitment on peacekeeping troops in Kosovo. Meanwhile, talks between ethnic Albanians and Serbs on a peace plan for the province made an uneasy start in Paris. Page 4

**Ethiopia in clashes with Eritrea**
An eight-month war of words between Ethiopia and Eritrea erupted into full-scale hostilities with two days of serious clashes at the disputed border in the Badme region. Page 6

**EU moves closer to subsidy cuts**
Farm ministers' representatives will today start the first serious discussion at EU level of cutting agricultural subsidies. Page 4

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India is to buy surplus electric power from Pakistan in a deal that could improve relations and help overcome mistrust aroused by the two countries' nuclear tests last year. Page 16

**German hostages released**
A German woman and her son held hostage in Yemen since last month were released by their kidnappers.

**Senators in new move over Clinton**
Senators from both big US political parties sought support for a new resolution to censure President Bill Clinton over the Monica Lewinsky scandal. Page 6

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The European Central Bank is facing mounting pressure from the German government to cut short-term interest rates to help stimulate the economy. Page 4

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Mo Mowlam, the UK's chief minister for Northern Ireland, admitted that the March 10 deadline for a power sharing administration in Ulster might slip. Page 8

**Russia attacks Nato plans**
Russia challenged Nato's plans for a new strategic concept to underpin the alliance in the 21st century, rejecting the idea of Nato membership for former Soviet republics. Page 4

**HK to launch survey of immigrants**
Hong Kong is to launch a household survey to determine the number of mainland immigrants eligible for residency following a court ruling. Page 5

**One Nation's MPs in split**
Leaders of One Nation, the Australian political party known for its anti-immigration platform, denied that a rebellion among its MPs would damage its election chances. Page 5

**Bonn scales back job targets**
Germany's government has scaled back its hopes of agreeing Europe-wide employment targets during its presidency of the European Union. Page 4

**Blair rallies party activists**
Tony Blair, UK prime minister, rallied activists of his Labour party by warning that this Spring's regional elections come at "the toughest period for any government". Page 8

## BUSINESS NEWS

### Russian bank will be country's first eurobond defaulter

Uneximbank, one of Russia's most prominent financial groups, is to tell eurobond holders it is defaulting on its debt, the first such default by a Russian company. Page 17

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**International bankers** are taking more steps to recover money from Chinese borrowers, such as calling in loans and also demanding faster debt repayment. Page 5

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# Shell plans $8.5bn project

## Scheme would revitalise Nigeria's oil and gas industry

By Robert Corzine

Royal Dutch/Shell has proposed an $8.5bn plan to revitalise the Nigerian petroleum industry with one of the most ambitious integrated oil and natural gas development projects in the world. The scheme would be the biggest industrial investment made in sub-Saharan Africa.

The Anglo-Dutch company, which produces about half of Nigeria's output of just less than 2m barrels a day, is in talks with the military government, politicians, other international oil companies and contractors about the five-year scheme.

The plan would see Nigerian oil output surge by almost a third, or 600,000 barrels a day, most of which would come from new offshore fields. It would also establish Nigeria as a force in the global liquefied natural gas industry.

Approval of the plan would be a big political boost to an incoming civilian government, which would inherit the country's worst economic crisis since independence nearly 40 years ago.

The board of directors of Nigeria Liquefied Natural Gas (NLNG), which includes representatives from the government, Shell, Elf Aquitaine of France and Agip of Italy, were locked in talks in London last week to decide whether to launch a third production train at its Bonny Island plant, on Nigeria's Atlantic coast. NLNG is chaired by a senior Nigerian government official.

The third train is the key building block in Shell's integrated plan to develop four big offshore oil fields – including its Bonga deepwater discovery – and a vast offshore and onshore gas gathering pipeline network to turn the huge quantities of gas that are currently flared into LNG for export.

Two of the big offshore fields are shallow water discoveries that Shell has not previously made public.

The company said the scheme would generate net income for the Nigerian state of $20bn over 25 years. It would also entrench Shell's controversial presence in Nigeria.

The inhabitants of the Niger Delta, where Shell's operations are concentrated, are growing increasingly restive over the lack of development in a region that produces most of the country's wealth.

There have been recent clashes between the army and militants, including an incident last week outside Shell's Forcados export terminal in which five people were killed. Militant groups have forced the closure of about 150,000 barrels a day of Shell's oil production in the delta.

Ronald van den Berg, chairman of Shell's Nigerian subsidiary, said 70 per cent of the total $8.5bn cost over the next five years would be provided by international companies. The Nigerian government would have to contribute the remainder.

But Mr van den Berg said officials in Abuja, the capital, have already agreed to make gas-related investments a priority. This year the government allocated $450m for gas, with just more than $1.5bn being dedicated to all the oil joint ventures in the country.

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# New BMW board is to review strategy for Rover

By Haig Simonian and Andrew Parker in London and Uta Harnischfeger in Frankfurt

Joachim Milberg, BMW's new chairman, and the three new executives appointed to the management board have a fortnight to review their predecessors' strategy for Rover, the British carmaker, before submitting recommendations to the supervisory board.

The management board will meet tomorrow in its first session since the departures of Bernd Pischetsrieder, chairman of the German luxury carmaker, and Wolfgang Reitzle, BMW's de facto number two, on Friday.

Their recommendations could settle the fate of Rover's biggest plant at Longbridge, in Britain's Midlands.

The factory might close if the new board does not maintain Mr Pischetsrieder's commitment to build the successor models to the current Rover 200 and 400 at Longbridge, subject to aid from the government.

"We will have to give Mr Milberg time to assess the situation and the last thing we need now is rushed decisions," said one of the employees' representatives on BMW's supervisory board.

He suggested BMW might consider turning to another carmaker to accelerate the introduction of the new models.

That could be done by using the platform – basic engineering structure – of another model and giving it a Rover body.

The supervisory board member said BMW was considering "working together with someone in the case of Rover", although he stressed that BMW would stay independent.

Tony Woodley, the transport union's chief negotiator for the motor industry, said that borrowing a platform from another carmaker "may have been thought of a while ago, but is definitely not being considered now".

He was confident that BMW would adhere to Mr Pischetsrieder's plans to invest about £1.3bn ($2.2bn) to build the successors to the 200 and 400 at the Longbridge plant in Birmingham.

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# Jordan's new king sworn in

## Monarch pledges to maintain legacy as nation mourns his father's death

By Judy Dempsey and David Gardner in Amman and Mark Suzman in Washington

King Hussein's eldest son was yesterday sworn in as King Abdullah II, Jordan's fourth monarch, after his father died from a long struggle with cancer in the royal hospital in Amman.

In a short and simple ceremony, the 37-year-old king was sworn in by the two houses of parliament after being made regent at the weekend.

The ceremony, opposite one of the capital's largest mosques, ended an era dominated for nearly half a century by King Abdullah's father, who forged stability in this Arab kingdom sandwiched between powerful neighbours Iraq, Israel, Syria and Saudi Arabia.

But it also heralded the first of a new generation of Arab leaders who face the challenges of world economic integration and the unresolved Arab-Israeli conflict.

In a television address soon after his father died, Kind Abdullah pledged continuity and stability. "May the soul of King Hussein remain with us... and we will maintain the legacy of Hussein, all united in one heart and one family," he said.

King Hussein's favourite son, Prince Hamza – half-brother of King Abdullah – was named as Crown Prince in a royal decree issued on Sunday.

The US, Jordan's closest western ally with a keen interest in supporting continuity as well as backing for a Middle East peace settlement, promised political and economic assistance for the new king, a former career soldier.

In an unusual personal statement from the White House Rose Garden, President Bill Clinton spoke of his respect for King Hussein and said he hoped his example would inspire other countries in the Middle East to work for peace.

Mr Clinton said he would ask Congress this week to provide $300m in additional bilateral assistance to Jordan to help maintain economic stability. In addition, the new White House budget plan, which also needs approval from Congress, calls for a further $225m in aid.

Mr Clinton was scheduled to leave Washington last night to fly to Amman for today's funeral. Former US presidents, including Gerald Ford, are due to attend.

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Jordan overflows with grief: Mourners on the streets of Amman Reuters

# State vote delivers rebuke to Schröder

By Ralph Atkins in Bonn

Gerhard Schröder, Germany's chancellor, received a rebuke from voters last night when elections in the state of Hesse threatened to throw his Social Democratic party and Green allies out of the state government.

The setback comes little more than 100 days after Mr Schröder took office and was the first voter test of the federal "red-green" coalition that was in part modelled on Hesse.

It follows a succession of blunders by the new Bonn government, on matters such as tax policy and plans to close nuclear power stations.

Angela Merkel, federal general secretary of the opposition Christian Democratic Union, described her party's strong showing as a "sensational result" that justified the party's decision to focus its Hesse campaign on opposing Bonn's plans to allow dual nationality for foreigners living in Germany.

Exit polls and first results showed the CDU building on its position as the largest party in the Hesse parliament, increasing its vote to about 43 per cent from 39.2 per cent.

Such a figure could give it a chance of forming a government, which would most probably involve a coalition with the small Free Democratic party.

But the position of the FDP was unclear last night, with early results showing it hovering around the 5 per cent threshold designed to exclude extremist parties from government.

Loss of the Hesse government would leave the Bonn administration without a majority in the Bundesrat, the second house of parliament representing the federal states, further disrupting Mr Schröder's legislative programme.

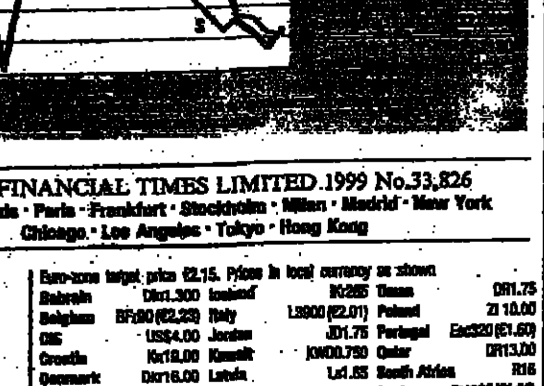
The Greens were clear losers last night, with the party's vote falling to about 7 per cent from the 11.2 per cent won in the last elections in Hesse in 1995.

And the SPD, led by Hans Eichel, state prime minister, failed to match expectations, increasing its vote by only about 2 percentage points to about 40 per cent.

Hesse is one of the most affluent states in Germany and includes the Frankfurt financial district.

Roland Koch, Hesse's CDU candidate for state premier, spearheaded a national signature campaign in protest at the nationality proposals, warning that widespread adoption of dual nationality would be socially divisive. The CDU claims to have collected 1m signatures, almost half in Hesse.

The FDP, possible coalition ally of the CDU, was angered by Mr Koch's campaign, which it feared would encourage racism. But it is likely to seize any chance to re-enter the state government.







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| | | | | | |
|---|---|---|---|---|---|
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| Belgium | BFr90(€2.23) | Italy | L3900(€2.01) | Poland | Zl 10.00 |
| CIS | US$4.00 | Jordan | JD1.75 | Portugal | Esc320(€1.60) |
| Croatia | Kn19.00 | Kuwait | KWD0.750 | Qatar | QR13.00 |
| Denmark | DKr16.00 | Latvia | Ls1.85 | South Africa | R16 |
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| Finland | FmK13.00(€2.19) | Lebanon | LBP3.500 | Sweden | SKr20.00 |
| France | FFr14.00(€2.13) | Luxembourg | LFr90(€2.23) | Switzerland | SFr3.30 |
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# WORLD NEWS

## DEATH OF KING HUSSEIN

# Problems ahead for the nation's new king

By David Gardner, Middle East Editor, in Amman

A young, politically unblooded prince ascended the throne of Jordan yesterday, as the country began 40 days of mourning for King Hussein, whose death ended a tumultuous reign of 46 years.

King Hussein was only 17 when the desert kingdom's founder, King Abdullah, was assassinated outside Jerusalem's *al-Aqsa mosque*. The bullet meant for the young Prince Hussein bounced off a medal on his dress uniform – the sort of luck, allied with judgment, which enabled him to survive a dozen assassination attempts, coups, war with Israel and civil war against the Palestinians.

King Abdullah II, sworn in by both Jordanian houses of parliament yesterday, will probably need less of the luck but at least as much judgment. For Jordan was forged into a nation by his father, to whom the Bedouin tribes of the East Bank of the Jordan river and the Palestinians forced out of Israel and the West Bank remained loyal. But despite the dead king's peacemaking efforts, the Middle East remains locked in the Arab-Israeli conflict.

Jordan, moreover, a buffer state between Israel and the Arabs, is surrounded by difficult neighbours – several of which will shortly face transitions from their current rulers which promise to be more fraught than this one.

*President Hafez al-Assad* of Syria, due to start a fifth seven-year term tomorrow, is ailing, as is Yassir Arafat, the veteran and embattled Palestinian leader. Neither of them has an acknowledged successor, and neither has managed to settle on peace terms with Israel. Many Israeli politicians and commentators now regret that comprehensive peace was not reached while King Hussein was still around.

In Israel itself there is as yet no sign that nearly three years of deadlock on regional peace which followed the election of Benjamin Netanyahu will be resolved by new elections in May. And to Jordan's east, it is impossible to predict how or when Iraq will emerge from the destabilising tyranny of Saddam Hussein.

King Abdullah addresses the Jordanian nation yesterday in a television broadcast. The new king pledged he would maintain his father's policies and called for national unity — Reuters

King Hussein managed to tack with the regional winds that regularly howled through Jordan. Unlike other Arab rulers challenged by the Islamic revivalism of the last 20 years, the late king tried to co-opt Islamists into the system.

So how will the new King Abdullah deal with this substantial but uncertain inheritance? "I'm going to carry my father's flag," he told Madeleine Albright, US secretary of state, last week. But that will be easier said than done. The 1994 peace treaty with Israel is hugely unpopular in Jordan.

Jordanians expected prosperity to result: from a write-down in debt that still amounts to nearly 100 per cent of national output, and from cross-border investment and trade as regional peace took hold.

Egypt, the first country to make peace with Israel, got *most of its debt written off* and over $2bn in US aid a year for 20 years. For Jordan this did not happen.

Instead, many Jordanians have sunk into poverty as their economy has become liberalised. Export-led growth *has failed*, first, because the country's main market in Iraq is closed by US-led sanctions, but second, because economic integration with the Palestinian territories and eventually Israel has been blocked by the collapse of the peace process.

Political liberalisation of the last decade has been rolled back with the gerrymandering of parliament to ensure a loyal quorum of Bedouin notables, and the press has been muzzled.

King Abdullah, a career soldier who commanded the *elite special forces*, has reason to know this, and it was largely his soldiers who put down riots against the IMF in 1996 and against the US-led siege of Iraq last year. He would also know these disturbances have been among the native East Bank Jordanians – the bedrock of Hashemite rule – rather than the majority Palestinians.

Even if the US comes up with supplementary aid pledged last week – a reward *to* Jordan for King Hussein's efforts to mediate between Israel and Palestinians – there will only be so much King Abdullah can do.

His father, after all, preferred to go to an unwinnable war with Israel in 1967 *and stay away from* the western and Arab Gulf war assault on Saddam Hussein in 1990-91 rather than risk any threat to his throne. Kamal Salibi, a historian of Jordan, stresses that part of the secret of King Hussein's success was that he usually "realised the nature of his assets and his liabilities".

In his last years he put this calculated regal populism at the service of peace. King Abdullah's priority will be the security and continuity of his country and dynasty above all else.

# Jordan unites in grief for dead king

By David Gardner and Judy Dempsey in Amman

Israeli border guards on the Jordan river crossing into the Hashemite Kingdom of Jordan suddenly forsook their posts just before noon yesterday and gathered around a radio. King Hussein had been pronounced dead at 11.43, ending a reign of 46 years.

"This is bad news for us," *one Israeli guard said.*

Jordanians and Palestinians on the bus ferrying them across the Allenby bridge from the West Bank dissolved in tears – men, women, driver and ticket collector – as Jordanian radio started broadcasting funereal Koranic chants. "He was a good man, a good man," said a Palestinian from Jerusalem.

Across the river, a thick, almost biblical, mist suddenly descended on the country in the climb from the Dead Sea to Amman, shrouding the hill capital.

Cavalcades of cars with portraits of the dead monarch, flying black flags from their antennae, started jam*ming the roads into Amman*, converging on the King Hussein Medical Centre where the king has lain comatose since last Friday morning, following his return from a final effort to defeat his cancer condition at a US clinic.

Outside the hospital, throngs of mourners stood in the pouring rain which began when the king returned from the US late last month, apparently cured. Instead, obviously aware he was dying, he stunned his countrymen by making his eldest son Abdullah, 37, a career soldier, heir instead of his brother Hassan, his crown prince and confidant for 34 years.

The crowds – a mostly *young cross-section of these* young people, most of whom have known no other leader – surged against overstretched, often weeping policemen. A great ululation rose and ebbed and rose again, as ambulancemen struggled to pull out those overcome with grief.

"King Hussein was very, very brave. He took a great risk in making peace with Israel, which was very unpopular at home," said one crying woman, aged 30.

"King Hussein was the only ruler we have known," said Sami, 29. "I hope Abdullah is up to it."

A sharply dressed 28-year-old manager of an Internet company, Mohammed, said: *"I mourn the loss of a great* leader but I worry about the future. I hope he [the new King Abdullah] can give us the stability his father did." A number of mourners complained that nobody had come out from the royal palace to comfort them.

But within half an hour of the announcement, Prince Abdullah – who yesterday afternoon was sworn in as Jordan's new king by its two houses of parliament – went on television.

It was a dignified and confident performance, in which, wearing the Hashemite *Hata* headdress, he almost resembled his father.

"The king of the Hashemite kingdom of Jordan has *passed away," he said*, believing in God's will.

"The soul of King Hussein will remain with us," he said, looking up straight into the cameras. "Today, you are my brothers and sisters, you are my consolation after God; may God console you."

# Arab states rally to Abdullah

By Mark Huband in Cairo

King Abdullah, Jordan's new 37-year-old monarch, has received messages of support from Arab states determined not to allow the death of King Hussein to create instability in Jordan nor further postpone conclusion of the Middle East peace process.

Egypt's President Hosni Mubarak said yesterday Arab leaders "are all going to support" the new king. Mr Mubarak, who will attend today's funeral, now becomes the only experienced Arab leader able to talk with both Palestinians and Israelis. He yesterday described King Hussein as having "died while struggling for *the stability of his* country until the last moment of his life".

States involved in the peace process face the loss of a crucial Arab interlocutor with Israel. Regional analysts predict Syria may attempt to drive a wedge between Jordan and Israel, particularly if the rightwing Israeli government of Benjamin Netanyahu wins May's election. Meanwhile, the Palestinians are expected to try *to pressure Jordan to* harden its stance on Israel.

Gulf states, angered by King Hussein's refusal to support the coalition which ousted President Saddam Hussein's forces following Iraq's invasion of Kuwait in 1990, had improved ties with Jordan in the weeks preceding the king's death. Kuwait yesterday issued a statement expressing "deep sorrow and sadness" at his death.

Even so, regional analysts *predict a precarious future* for Jordan despite the smooth handover of power.

Suspicions are now being raised that Israeli hardliners may try to exploit the absence of King Hussein by reneging on commitments to the Palestinians.

'When peace finally comes to the Middle East, his name will be inscribed upon it. That day, King Hussein will smile on us one more time' **Bill Clinton**

'King Hussein dedicated his thought and life to serve his nation's causes' **Hosni Mubarak**

'He was a remarkable man of rare vision, integrity and courage' **Tony Blair**

'We have known him as a wise and courageous statesman and leader, serving his people and the just causes of his nation, particularly the Palestinian people's cause' **Yassir Arafat**

The king 'won the kingdom of Jordan respect and recognition throughout the world' **Gerhard Schröder**

'Overcoming his own pain at Wye Plantation [peace talks in the US] last October, he showed again his courage that is an essential ingredient in any peace process. His death challenges us to finish the job' **Kofi Annan**

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DEATH OF KING HUSSEIN

# Between Israel's might and Arab suspicions

King Hussein's long reign encompassed assassination attempts, loss of the West Bank and Jerusalem, and bitter civil war. **Roger Matthews** and **David Gardner** report

King Hussein of Jordan walked the tightrope of Middle East politics with greater skill than any of his contemporaries during the second half of the 20th century. His survival at the head of a population well over half of whom considered themselves Palestinians, rather than Jordanians, was never assured.

Between the mounting military power of Israel and the ambitions of more powerful Arab neighbours, the balance *between external* forces and internal pressures was difficult to strike, and even harder to maintain. That the king did so for 46 years is a testament not just to his political skills, but to his personal charm, his commitment to the Hashemite kingdom, and to the intense loyalty he inspired within the armed forces recruited from Bedouin tribes.

No greater proof could have been provided of the affection in which he was held by the nation than on his return to Amman from cancer surgery in the US in September 1992, and again in January 1999, coming back after six months of chemotherapy for the non-Hodgkins lymphoma that was to kill him. Huge and emotional crowds lined the route from the airport to the royal palace as the king rode home in triumph.

He ascended the throne in May 1953, 22 months after his grandfather Abdullah was assassinated on his way to pray at the al-Aqsa mosque in Jerusalem. Educated in England at Harrow and Sandhurst, the youthful Hussein initially appeared to have been poorly prepared for the turbulence of the Middle East, where Colonel Gamal Abdul Nasser's pan-Arab nationalism seemed to sweep all before it. Glubb Pasha, an Englishman, commanded the Jordanian army until dismissed by the king in response to the wave of anti-western feeling which was soon to culminate in the nationalisation of the Suez Canal and the ill-fated invasion of Egypt by Britain, France and Israel.

The subsequent cooling of relations with Britain opened the door to closer Jordanian ties with the US which, while not always smooth, have remained a vital element in Amman's foreign policy – and on occasion in the monarchy's survival. Nationalist reaction *against the new alliance*, including an attempted coup, forced the king into banning political parties and assuming direct control over the army.

However, the growing self-confidence of the young *monarch came up against* a mounting Egyptian belligerence, the emergence of a more distinctly separate Palestinian political identity, and rapidly developing Israeli military strength.

As the 1967 war loomed, *King Hussein saw no domes*tic alternative but to ally himself with Egypt and Syria. It was a decision that won him local popularity, but was to cost Jordan control over the West Bank and Jerusalem.

*Some 23 years later* King Hussein again put domestic considerations first in arguing for a negotiated solution to the Iraqi invasion of Kuwait, a move which cost him western friends and the economic support of Gulf Arabs, but bolstered his support at home.

Without that support, the king would have been less well positioned four years later to have done what was for so long unthinkable and sign a *separate peace with* Israel.

Back in 1967, the king had been able in part to compensate for the loss of the West Bank through greater western military support and a sharply increased flow of *financial aid* from the wealthier Arab states. But he had also to contend with intensified Palestinian militancy, fuelled by Israel's occupation of the West Bank and Gaza and the inability of the Arab states to live up to *their liberation* rhetoric. Within Jordan, the Palestine Liberation Organisation under Yassir Arafat began to flex its muscles. Cross-border attacks into Israel grew in frequency, as did Israeli retaliation, while the domestic authority *of the king* was ever more blatantly challenged.

In the middle of 1970 King Hussein ordered his troops on to the offensive and after a year of bitter fighting succeeded in driving the Palestinian guerrillas out of Jordan and into Lebanon, where a new – but not dissimilar – chapter in the PLO's struggle opened.

A new chapter was also unfolding in Jordan. King Hussein slowly repaired the damage of the PLO conflict, avoided involvement in the 1973 war, and began to position himself at the fulcrum of Arab politics.

**There was no doubt Jordan favoured a negotiated settlement with Israel, whose leaders the king had secretly been meeting**

By the time President Anwar Sadat of Egypt broke ranks with his Arab colleagues to visit Israel in November 1977, Amman was establishing itself as the most finely tuned listening post in the Middle East and the king as one of the region's most respected conciliators.

There was no possibility of the king putting at risk those achievements by fol*lowing Mr Sadat's high-risk* strategy, and there was no doubting his indignation when the Camp David accords, signed by Egypt, Israel and the US, made repeated references to the role Jordan should play in *the process*. But equally, there was no doubt Jordan favoured a negotiated settlement with Israel, whose leaders the king had secretly been meeting.

When the Arab states gathered to condemn the *peace agreement* between Egypt and Israel in late 1978, the meeting was held in Baghdad at the invitation of President Saddam Hussein. For the next decade the ambitions and failures of the Iraqi leader, who now sought for himself the mantle of Nasser, were to have a critical influence on King Hussein and his nation.

The Iraqi invasion of Iran, and the consequent blocking of the Shatt al-Arab waterway, meant Jordan and its port of Aqaba became the main transit point for Iraqi imports. The Jordanian economy, already benefiting from Arab aid pledges made in 1978, flourished and King Hussein was a regular and *welcome visitor in Baghdad*. But as the war turned sour for Iraq, and its economy suffered, so its debts with Jordan mounted.

The problems for Jordan were exacerbated by the start of the Palestinian uprising in the occupied territories, which not only raised the political temperature in the kingdom but caused the king to cut remaining ties with the West Bank.

As economic conditions worsened in Jordan, mass protests and then riots broke out. The king responded by announcing parliamentary elections for the first time since 1967, although the results were to reveal the extent of support for Islamist *candidates*.

Concern over the economy was abruptly overtaken in August 1990 when Iraq's troops moved into Kuwait, triggering a crisis still to be fully resolved. Whatever the king's true feelings, his desire to avoid western military intervention caused him to be seen in the west and the Gulf as, at best, an appeaser of Iraqi aggression and, at worst, as an apologist for Saddam Hussein.

There was much less doubt about the feelings of Jordanians, most of whom felt little affection for Kuwait and broadly supported the king's stance.

Not welcome in the White House, snubbed by Riyadh, and with the Arab nations in disarray, King Hussein appeared more friendless than perhaps at any time since he came to power. But with the US keen to seize the diplomatic initiative after the defeat of Iraqi troops in Kuwait, the launching of the Madrid peace conference in October 1991 provided Jordan with the opportunity to rebuild bridges.

Initially Arab participants in the peace process agreed they would work closely together, and not allow themselves to be picked off individually by Israel. The accord, supported by the king, held until Mr Arafat dropped his bombshell in the summer of 1993 and announced the PLO had reached an outline peace agreement with Israel.

The king was dismayed, although publicly he gave tepid support to the deal.

His depression gathered pace as Mr Arafat prevaricated over economic co-operation with Jordan, *and Syria declined to reveal* details of its own talks with Israel. Declaring Arab co-operation a myth, King Hussein had decided by June 1994 that he would seek to negotiate his own peace with Israel.

*By October that year the* treaty was signed. King Hussein had become only the second Arab leader to reach a full peace with Israel, with scarcely a word of criticism from the rest of the Arab world.

As much as anything, the king was placing a strategic bet: that regional peace would lead to open borders for trade and the economic integration of the Middle East, within which Jordan would form a dynamic sub-regional "triangle" with Israel and the Palestinians.

With Jordan's principal market, Iraq, virtually closed by UN sanctions, the king sold peace to his people as the lever to prosperity for a poor country that had always depended on handouts.

The bet appeared to have been won in November 1995 when Jordan hosted a US-backed regional economic summit that attracted 3,000 *potential investors as well as* world leaders. But only weeks later, Yitzhak Rabin, Israel's prime minister, architect of the peace process and King Hussein's avowed friend, was assassinated by a Jewish zealot. By May 1996 Benjamin Netanyahu of the irredentist Likud was in power and hopes for an enduring peace evaporated.

By August, the king was putting down anti-IMF riots in the loyalist south of Jordan after the government raised bread prices.

Jordanians had borne painful structural reforms stoically in the expectation of a peace "dividend", and the hope that an end to sanctions against Saddam Hus*sein would reopen Iraq*.

That neither materialised was profoundly demoralising and potentially destabilising.

As peace with Israel became more unpopular, democratic reforms of the early 1990s were rolled back, with changes to electoral law favouring loyal tribal notables and a clampdown on the press.

At the last, King Hussein stunned his countrymen by suddenly sacking his brother Hassan, his crown prince and confidant for 34 years, and instead naming Abdullah, his eldest son, 37, as his heir. Although he published an angry letter denouncing palace intrigue while Hassan was regent during the king's six months' absence for treatment in the US, this looked like a long-pondered move.

On the one hand, the appointment ensured the succession would stay in King Hussein's line of the 800-year-old Hashemite dynasty, which claims descent from the Prophet Mohammed.

But the bookish and loquacious Hassan appeared to lack rapport with ordinary Jordanians and had no real connection with the army, the bedrock of the dynasty.

Crown Prince Abdullah, by contrast, although untried politically, was an experienced soldier and as a major-general led the elite Special Forces; the king was understood to view him – over and above his favourite son Prince Hamza, 18 – as a safer pilot through the choppy regional waters he saw ahead.

Many Jordanians used to the regal populism of King Hussein saw Abdullah as a chip off the the old block.

Luck – and the willingness of Britain, then the US and Israel to come to his aid – undoubtedly helped the king. But he had a remarkable combination *of some*times contradictory qualities.

Dubbed by some critics the Chameleon King, he could be all things to all men, but usually not all at the same time. His charm was both real and contrived – as a wonderful send-up running in Amman theatres in the mid-1990s perfectly captured, above all by mimicking the tactical squint he employed. King Hussein, typically, watched and enjoyed that show.

Himself a rock of continuity, he used *governments* like Kleenex, getting through 56 in 46 years. Yet rotation of office was part of his art, what his latest biographer Roland Dallas calls "strategic generosity": even those who hatched plots against him could expect a decent embassy if they served their time quietly on the substitutes' bench.

His long, turbulent reign was by any standards a *tour de force* which his son Abdullah will be hoping not to have even to try to emulate.

King Hussein on the tightrope of Middle East politics: from his 1970 offensive against Palestinian guerrillas, to his decision not to back the western coalition against Saddam Hussein and Iraq and the king's 1994 peace treaty with Israel

**KOSOVO** NATO APPEAL ON TROOPS BRINGS MIXED RESPONSE

# Europe and US in peace force wrangle

**By David Buchan and Quentin Peel in Munich**

European and American defence ministers have failed to respond to an appeal by the head of Nato for an immediate commitment to provide a peacekeeping force in the Serbian province of Kosovo.

At a defence conference in Munich coinciding with the opening of peace negotiations in France, at Rambouillet, Javier Solana, Nato secretary general, called on Nato countries, particularly in Europe, "to have the courage to take the plunge" on a peace force for Kosovo.

The gathering consensus among European members of Nato that they should lead a force in Kosovo to underpin any peace settlement is still marred by lack of US commitment to follow them with ground troops.

German ministers said publicly, and British and French ministers privately, that the presence of some US troops on the ground in Kosovo was a virtual precondition for their participation in the peace force, so the same risks were shared by all.

The dispatch of such a force depends on a Serb-Albanian peace deal emerging from Rambouillet. But some Nato and UK officials have argued an upfront Nato commitment to the peace force could be vital to getting a settlement at Rambouillet, because it would offer the Rambouillet mediators one way of placating the ethnic Albanian concerns.

The officials argue the Kosovar Albanians might be persuaded to accept less-than-satisfactory interim autonomy within Yugoslavia if they knew in advance that they could count on Nato peace-keepers being at their side.

The US administration has indicated that it might field some 2,000-4,000 troops out of a force of 28,000 provisionally planned by Nato to implement a Rambouillet peace deal. But with the Rambouillet negotiations only just under way and no peace deal yet in sight, the administration is not rushing into a commitment.

**European nations are determined to secure US troop participation in any Kosovo force**

William Cohen, the US defence secretary, confined himself publicly in Munich to expressing "grave doubt about forcing our way into Kosovo to make a peace... and being shot at by both sides". In private talks this weekend with Nato officials and European defence ministers, he stressed Congress' conditions that any ground force of which the US was a part would have to go after a peace settlement, be clearly able to defend itself, and have an exit strategy.

Congress passed a law last year requiring the administration to report in advance on plans to send troops abroad.

A senior German official expressed confidence that the US would eventually agree to field troops. In general European governments want to appear avoiding publicly to blackmail the US into sending troops to Kosovo. Joshka Fischer, Germany's foreign minister, said, "Germany is ready to make an adequate contribution, but for the success of the mission, it is indispensable for the US to make a substantial contribution itself."

George Robertson and Alain Richard, the UK and French defence ministers, also made it clear that they did not want to repeat their countries' experience during the Bosnian war when the absence of US troops on the ground led Washington to a different perspective from London and Paris on the war. German officials say this lesson is not lost on them.

Solana: looking for a sure way forward on Kosovo peacekeeping Reuter

# Uneasy start for peace talks

**By Robert Graham in Rambouillet and Guy Dinmore in Belgrade**

Indirect negotiations between ethnic Albanians and Serbs on a peace plan for the Serbian province of Kosovo got under way in the historic château of Rambouillet yesterday in an atmosphere of mutual recrimination.

The sole encouraging sign was agreement on a joint statement condemning a terrorist attack which killed three people in the Kosovan city of Pristina on Saturday.

But even this statement was read out by spokesmen for the six-nation Contact Group of western powers and Russia, which drew up the peace plan and was co-ordinating the negotiations.

The initial discussions were described by one diplomat as "arduous". The meeting's organisers, Hubert Védrine, the French foreign minister, and Robin Cook, his British counterpart, made clear the enormous obstacles in the way of achieving a binding agreement.

The 13-strong team sent by Belgrade and headed by Ratko Markovich, Serbia's deputy prime minister, gave no indication yesterday when – if at all – it would be willing to talk directly with the 16-man ethnic Albanian delegation. Belgrade brands the Albanians "terrorists". When the two sides first gathered in Rambouillet on Saturday they ignored each other during the inaugural speech by Jacques Chirac, the French president, and the subsequent reception.

Further problems were emphasised when an adviser to the Albanian separatist Kosovo Liberation Army underlined the group's hostility to a stipulation in the peace plan that its arms be handed over and kept in Nato-guarded stocks.

Western mediators want to institutionalise the KLA within a new police force to reflect Kosovo's ethnic make-up, which is over 80 per cent ethnic Albanian. But the KLA wants its own regular army, arguing that the 1995 Dayton peace accord set such a precedent on the ending of the Bosnian civil war.

# ECB pressed by Germany over rates

**By Wolfgang Münchau in Frankfurt**

The European Central Bank is facing mounting pressure from the German government to cut short-term interest rates to help stimulate the economy and create jobs.

Stefan Collignon, head of the European affairs directorate in the German finance ministry and a close adviser of Oskar Lafontaine, finance minister, said short-term interest rates were too high to maintain a sufficient level of economic growth and employment.

He said the ECB was obliged under law to support economic growth in the euro after it met its primary objective of price stability. "Some people in the tradition of the Bundesbank would like to forget this part, because it is convenient for central bankers."

The comments, unusually outspoken for a German official, reflect a more open and confrontational debate between the German government and the ECB on monetary and fiscal policy.

The ECB regularly warns governments to adhere to a tight fiscal policy stance. It also recently clashed with Mr Lafontaine and his French counterpart, Dominique Strauss-Kahn, over their proposals to limit the euro's fluctuations against other important currencies.

Last autumn, Mr Lafontaine repeatedly called on the Bundesbank – which was then in charge of German monetary policy before the introduction of the euro – to reduce interest rates.

Wim Duisenberg, president of the ECB, indicated last week that short-term interest rates would remain on hold for the time being. He said that in real terms the real rate was 2.3 per cent, which was low both by historic standards and relative to rates in other countries.

Speaking at a seminar over the weekend, Mr Collignon said: "The present real interest rate is not consistent with higher growth, investment and employment. Lower interest rates would also be compatible with price stability as long as wage increase remain moderate."

He said there were no inflationary pressures, as increases in unit wage costs had been extremely moderate in recent years. Unit wage costs were the single most important factor causing consumer price inflation.

Mr Collignon said he fully supported central bank independence, but added that while the government represented the view of the people, central banks tended to be more conservative than the average citizen. He maintained that structural problems and deficient economic demand were equally to blame for Europe's high unemployment, while the previous government – and most central bankers – argued that unemployment was mostly a structural problem.

He said Europe had suffered large output gaps – the difference between actual and potential economic output – during the 1990s, while both the UK and the US were able to increase domestic demand in that period.

He said the global financial crisis was a "symmetric demand shock", most efficiently dealt with through monetary policy. He warned that governments would have to use fiscal policy to counteract the shock if monetary policy fails to react.

# EU edges closer to cuts on farm subsidies

**By Michael Smith in Brussels**

It is the moment European Union farmers have been dreading for nearly four decades. "High level" representatives of farm ministers will today start the first serious discussion at EU level of an idea which even a few weeks ago seemed almost unthinkable – cutting agricultural subsidies.

Transforming the idea into policy would represent an historic change of direction for the Common Agricultural Policy. Since the formation of CAP in 1962, farmers have enjoyed ever increasing subsidies, which still account for nearly half EU spending.

Cutting aid is not yet a done deal, but it appears increasingly likely.

Today's meeting, the last before farm ministers convene in a fortnight to thrash out a deal on fundamental CAP reform, will consider at least two proposals on cutting direct payment subsidies for farmers after they reach a peak in the early years of the next decade.

The UK, an ardent CAP reformer, is pushing the most radical proposal. But a sign of real change in attitudes comes from France, traditionally the farmers' champion.

Sweden and Denmark are supporters of "degressive" payments, which would decline year by year, while Austria wants to cut aid for large farmers. Other countries are looking for change too.

Direct aids compensate farmers for cuts in prices guaranteed by the EU for their products. Reducing them would help stabilise EU spending, an aim of most EU countries. The cuts would also help the union at the next round of world trade talks, where subsidies will be under attack.

France's conversion to the cuts cause stems from its desperation to stop the EU implementing proposals requiring countries to "co-finance" farm subsidies so that they would share the cost of the subsidies with the EU. Co-financing would save money for some countries, including Germany, that contribute more to the EU budget than they receive, but they would disadvantage France and other farm-intensive countries such as Ireland.

France wants the EU to cut direct payments for cereals farmers by 3 per cent a year after 2001 and for other farmers by 1 per cent. Small farmers would be given exemptions. France estimates annual savings in 2006 at €3.3bn ($3.75bn), a quarter of which would be diverted to rural development.

The UK suggests cuts of 4 per cent a year in all direct aid payments after they reach their peaks; some cuts would begin next year. By 2006, annual savings would be €5.2bn, a fifth of which would go to rural development.

Post-2006 reduction rates should be considered in 2005, the UK suggests.

However, it seems unlikely the cuts would stop there. For farmers the fear is that today's talks will prove to be the beginning of the end for the CAP.

# Bonn backtracks over job targets

**By Ralph Atkins in Bonn**

Germany's Social Democrat government has scaled back its hopes of agreeing Europe-wide binding and verifiable employment targets under its six-month presidency of the European Union.

Speaking at a summit of labour and social affairs ministers in Bonn, Walter Riester, Germany's employment minister, said setting such goals was "a long-term process".

Progress had been made in agreeing the emphasis, focus and methods for setting targets, he said. But the member states had to think practically about the targets that could be obtained. "This is not something which can be done even within the German presidency."

Gerhard Schröder, chancellor, and Jacques Chirac, French president, called last year for the European "employment pact", being drawn up under Germany's presidency, to include "binding and verifiable" goals. Germany regards the pact, focusing in particular on youth and long-term unemployment, as important for balancing the strict rules on fiscal discipline which accompanied the euro's launch in January.



# Germany gives boost to EU missile consortium

**By Alexander Nicoll, Defence Correspondent**

A German government decision to back a European consortium of companies developing air-to-air missiles for the Eurofighter aircraft has considerably enhanced the consortium's chances of mounting a challenge to US dominance of the market.

"We are no longer looking at options: we want to go European," a senior German official said. "Meteor is the concept we are pursuing."

The Meteor consortium includes Matra BAe Dynamics, a joint venture between Lagardère of France and British Aerospace; the Marconi division of General Electric Company of the UK; Alenia of Italy; LFK, the missiles unit of DaimlerChrysler Aerospace of Germany; Casa of Spain; and Saab of Sweden.

Although Germany has always wanted European missiles, it had been considering several possibilities and remains concerned about technical aspects of Meteor. But its position was hardened by a late January resolution of the Bundestag's defence committee, supporting German participation in Meteor.

"It would be ridiculous to pay for the development of the platform [Eurofighter] but to buy the missile from America," another senior official said in Bonn. There are concerns that Eurofighter's export prospects would be harmed if there was no alternative to arming it with US missiles.

The German decision will bolster Meteor's prospects in a British contest against Raytheon of the US, the dominant producer of air-to-air missiles, to supply weapons for the Royal Air Force's Eurofighter aircraft.

Given the substantial cost of developing a new missile, Meteor would not be a realistic option unless several European countries funded it as a collaborative programme.

Sir Robert Walmsley, UK chief of defence procurement, said: "The competition is being run fair and square on UK value for money grounds."

The UK will decide on the order, estimated to be worth £900m ($1.5bn) for the UK alone, later this year.

Raytheon is mounting a strong challenge, offering to supply a series of enhanced versions of its AIM-120B Amraam advanced medium-range air-to-air missiles, used by all the Eurofighter countries and 13 others.

Eurofighter will enter service in 2004, but Meteor would not be available before 2007. Raytheon is offering a first enhanced Amraam in 2004, a second in 2005 and a third in 2007.

Eurofighter was designed for Amraam, and the RAF's first Eurofighters will carry it as an interim solution.



# Russia attacks Nato plan on east Europe open door

**By Quentin Peel and David Buchan in Munich**

Russia yesterday challenged Nato's plans for a new strategic concept to underpin the alliance in the 21st century, demanding recognition of a "red line" around the borders of the former Soviet Union, and rejecting the idea of Nato membership for former Soviet republics.

In an outspoken attack on US and European plans for an "open door" towards new members in eastern Europe, a Russian spokesman told a top-level meeting of Nato defence ministers, senior officers and security experts that his government remained hostile to any Nato enlargement.

He also said the Russian government was still debating whether to accept its invitation to attend the 50th anniversary summit of the Nato alliance in Washington in April, at which the new strategic concept is supposed to be agreed.

Yevgeny Gusarov, deputy foreign minister, also attacked the Nato member states for their readiness to bypass the UN Security Council in deciding on future military operations, if there was a danger that permanent members such as Russia might exercise its veto.

Speaking to an audience including William Cohen, US defence secretary, as well as top defence officials from most of the Nato member states, and applicant members from central and eastern Europe, Mr Gusarov said Nato expansion – already agreed for Poland, Hungary and the Czech republic – would actually undermine security and stability in Europe.

"The red line principle, which means that membership of the former Soviet republics in Nato is inadmissible, remains fully valid," he said. "We do not possess the right of veto in this process, but we have not changed our negative attitude to it, and have the right to express our opinion, and to insist that it is heeded."

The issue of UN Security Council approval for out-of-area exercises was raised at the conference by Gerhard Schröder, the German chancellor, who said that while UN approval was always desirable, exceptions were conceivable. He declined to define what those exceptions might be. Mr Cohen called on European members to back US plans for tougher action to curb the spread of weapons of mass destruction, and urged them not to reduce defence spending.

**CORRUPTION TRIAL** MALAYSIA'S PM SAYS FORMER DEPUTY FACES NEW CHARGES OF SEXUAL MISCONDUCT

# Mahathir renews Anwar attack

By Peter Montagnon, Asia Editor, in London

Anwar Ibrahim, the jailed former Malaysian deputy prime minister, will face new charges of sexual misconduct once the present corruption charges have been dealt with at his trial, *Mahathir Mohamad*, prime minister, said at the weekend.

Dr Mahathir also told Malaysian students in London that he would not resign as long as he could influence the choice of Malaysia's next leader, and hinted that a top-ranking police officer could have been responsible for beating up Mr Anwar after his arrest.

One student at the packed meeting won applause for suggesting that Dr Mahathir should apologise to Mr Anwar and his family and resign. Though he subsequently denied he had intended to intimidate his questioner, Dr Mahathir pointedly told him he had laid himself open to a defamation suit by the way his question was framed.

However, the prime minister showed little restraint in his denunciation of Mr Anwar at the meeting, which was relayed to hundreds of students on closed circuit television throughout the extensive offices of the Malaysian Students Department.

Claiming he could speak freely because it was a private meeting despite the large audience, Dr Mahathir alluded to medical evidence relating to sodomy charges in the current trial. He also accused Mr Anwar of introducing money politics into Malaysia.

"He was the one who had cronies in the party, who created cronies who supported cronies," he said. "These people who appeared from nowhere, who are strong supporters of Mr Anwar, suddenly became the heads of hundreds of companies."

Though the initial sexual charges had been dropped to focus on the corruption issues in the trial, other sexual charges would follow, he said.

The attorney general "will have to refer charges on other counts," he said.

In a statement that will fuel rumours already sweeping Kuala Lumpur, Dr Mahathir said it had been necessary to appoint a Royal Commission into the injuries sustained by Mr Anwar because otherwise the investigating officer in a police inquiry might have been junior to the suspect.

Abdul Rahim Noor Malaysia's top policeman, resigned after an initial inquiry blamed the police for Mr Anwar's injuries, though no individual was named.

Dr Mahathir said he would have resigned as prime minister last year but for his concerns about Mr Anwar. Asked subsequently by journalists whether he had decided to defer elections within the ruling UMNO party because of worries about a divisive contest for the deputy president's seat formerly held by Mr Anwar, he said he had not lost the support of any of the leaders of the party.


Leaders of Malaysia's Coalition for People's Democracy launched their challenge on Saturday against Mahathir Mohamed, prime minister, in the coming general elections AP

# Foreign banks get tough with Chinese borrowers

By James Harding in Shanghai

Several foreign banks are taking more aggressive steps to recover money from Chinese borrowers, such as calling in loans and demanding accelerated debt repayments.

The tougher measures underline the deterioration of international bankers' confidence in corporate China and also suggest a tightening credit squeeze is set to put further strain on many Chinese companies.

Zhou Haiming, a lawyer in Shanghai, says: "The acceleration of debt repayments is a very bad signal.. There is a sense of doubt among foreign lenders about the ability of Chinese borrowers to repay."

Many banks, fearing that additional pressures on Chinese borrowers could cause a serious repayment crisis, are taking a more accommodating approach by renegotiating payment schedules.

But a number of overseas financial institutions have begun to take more assertive action. In a few cases, where banks have a demand facility on their loans to Chinese borrowers, they have called in their loans, bankers and lawyers in Shanghai say.

"The banks are being quite careful. They do not want to create a crisis," says one person involved in an attempt to recover the interest and principal from a Chinese borrower. "But, in certain circumstances, where there is a demand facility, people are activating it."

In other cases, bankers find grounds to demand accelerated debt repayments. "People are trying to get their money back," says one foreign executive in Shanghai, suggesting banks are looking to find technical defaults by Chinese borrowers, which they would have ignored two years ago, in order to justify calls for accelerated payment.

Some lenders have also been seeking recourse to legal authorities. High Court writs published in Hong Kong recently show Ka Wah International Merchant Finance seeking to recover more than US$3m from Zhanjiang International Trust and Investment Corporation, a Chinese local government-backed investment agency, as well as $9.6m from Nanhai Zhong Nan Power Machinery and other borrowers from the southern province of Guangdong. The parties involved either declined or were not available to comment.

Foreign bankers in Shanghai say they are generally reluctant to call in loans or demand acceleration, which could make matters worse for overseas Chinese borrowers already struggling in the face of a severe international credit squeeze.

International lenders have been cutting off credit to Chinese borrowers since the sudden closure last October of a prominent state-backed company – Guangdong International Trust and Investment Corporation (Gitic) - shook foreign confidence in corporate Chinese risk. Since then, international banks have mostly been refusing to roll over short-term working capital loans and declining to issue new loans to corporate Chinese borrowers.

Banking sentiment has sunk further this year, as hopes of repayment on Gitic's $4.37bn outstanding debts have dimmed following the Chinese authorities' decision to put the company into liquidation and disregard previous pledges to repay registered foreign creditors.

# One Nation to fight on despite split

By Gwen Robinson in Sydney

Leaders of One Nation, the Australian political party known for its protectionist and anti-immigration platform, denied claims at the weekend that a rebellion among MPs would damage its chances in a forthcoming state election.

But the party's founder, Pauline Hanson, and its two main executives, David Ettridge and David Oldfield, agreed to surrender their positions and stand for re-election at the party's annual general meeting in Sydney at the end of the month.

Their action was precipitated by the resignation of three elected MPs and threats by a further seven to desert if Ms Hanson did not stand down and a face a leadership vote.

Ms Hanson, who was campaigning at the weekend, claimed her party was still very strong. "We've got supporters Australia-wide who are standing beside what One Nation is and what we stand for... we are going to do very well here in New South Wales."

But Bruce Whiteside, who founded and then disbanded the Pauline Hanson Support Movement, said Ms Hanson's advisers had hijacked the original agenda and "built an abomination".

He added: "People voted for One Nation because they wanted an alternative to the corrupt two-party system. They trusted One Nation and now that trust has been violated... it will die an agonising death."

The three MPs resigned in protest over what they claimed was the party's "autocratic and undemocratic structure" and said they would sit as independent MPs.

The criticisms highlighted One Nation's secretive and rigid structure. Analysts said the "military-style regime" exercised by the party's executive was a key factor in its remarkable success last year in the Queensland elections, when the 11 MPs picked up more than 20 per cent of the vote.

In national elections last October, One Nation gained nearly 9 per cent of the vote, but ended up with just one Senate seat because of Australia's system of preferential voting. The main parties directed their "preference" votes to other minority parties.

Ms Hanson, as a result, lost her seat in parliament's influential lower house, but maintained her role as party leader. Ms Hanson denied the party was in turmoil. She said she had been "too busy" on the campaign trail to speak with the Queensland MPs. "It would be unfair of me to comment until I've had an opportunity to actually speak to the members of parliament," she said.

# HK to launch household survey

Louise Lucas in Hong Kong

Hong Kong will next month launch a household survey to determine the number of mainland immigrants eligible for residency in the territory following a recent court ruling.

In a landmark ruling, the Court of Final Appeal last month granted unconditional right of abode to children born to Hong Kong residents. This includes illegitimate children and those born before their parents became Hong Kong residents.

Regina Ip, secetary of security, told legislators: "My guess is there are a few tens of thousands of illegitimate children." The number born before their parents became residents would be larger. The Court of Final Appeal decided that a law which sought to curb immigration was not retrospective, and those who arrived before July 10 1997 were eligible to stay. Since the ruling, mothers and children have been queuing up on both sides of the border to seek right of abode.

The ruling has caught Hong Kong unawares; its already over-burdened schools and social services are ill-equipped to deal with the larger numbers. But some welfare workers argued that the government could have estimated numbers of immigrants much earlier and planned accordingly.

Thomas Mulvey, a director of the Hong Kong Family Welfare Society, said: "We have deprived people of this right for some time, and it's a human right and we should have planned for it better. All these things [like estimating the number of eligible people] should have been done since February 1989, because then the Basic Law [Hong Kong's post-colonial mini-constitution] said very clearly persons of Chinese nationality born in Hong Kong would have the right to come here."

Estimates of the number of children who could have right of abode range around 60,000, although more alarmist numbers are being bandied around. Hong Kong now receives 150 mainland legal immigrants a day.

Angel Tseng, principal of Fukien Middle School, which caters for newly arrived immigrants, has seen a rise in applications this year. But Ms Tseng notes that as the quality of life in China is improving the desire to move to Hong Kong is abating. "Some of the parents say the education system is not that good for children, so they go back to China."

INTERNATIONAL

# Shell puts its faith in Nigeria's future

The energy giant believes an ambitious scheme to harness the gas burnt in flares could transform the country's industry

By Robert Corzine

Faith is rarely mentioned as a motivating factor in multi-billion dollar oil and gas deals. But for Ronald van den Berg, chairman of Royal Dutch/Shell's Nigerian subsidiary, faith in the long-term potential of the troubled country underpins his effort to secure approval for an ambitious $8.5bn plan to transform Nigeria's oil and gas sector.

"People get so worn down by the day-to-day frustrations of working in Nigeria that they can easily lose sight of the long term," he says.

In recent years Nigeria's petroleum industry has suffered from the massive corruption of previous military governments, chronic under-investment and increasingly frequent and violent protests by residents of the Niger Delta, who are demanding a share of the oil wealth produced in their region.

But the proposed integrated oil and gas scheme now being debated by the government, Shell and other international oil companies has the potential to revitalise the industry by linking much of the future growth in Nigeria's oil output to the commercialisation of the large amount of gas that is now burned in giant flares dotted across the Delta. "It will transform Nigeria from an oil producer to a major player in the global liquefied natural gas industry," says Mr van den Berg.

The linchpin of the project is construction of a third production train at the Bonny Island plant of Nigeria Liquefied Natural Gas (NLNG). The first two trains, which cost $3.8bn, are due to come onstream later this year to supply LNG to industrial customers in Europe. But because they are supplied with mainly "non-associated gas", or gas that is not produced as a byproduct of oil production, they will do little to eliminate the controversial gas flaring, which foreign oil companies have promised progressively to reduce, and to eliminate by 2008.

Under the latest plan a third train would be supplied with associated gas from the new offshore and onshore oil fields that Shell wants to develop as part of the scheme, as well as with associated gas that is produced from existing onshore fields, but which is now wasted. "Approval of the third train opens up the possibility of adding 600,000 barrels of oil a day (mainly from offshore) while taking care of the onshore gas," says Mr van den Berg.

Although Nigeria is known as an oil producer, most of its energy reserves are actually high quality gas, although commercialising those reserves has proved to be a perennial problem. About 1,000 standard cu ft of gas is produced with each barrel of oil. Seventy per cent of such gas is flared.

There are additional benefits to the proposed scheme. It is the first time a foreign oil company has indicated a willingness to developing deepwater discoveries off Nigeria. The scheme would also eliminate dependence on a single supply pipeline that could be sabotaged.

If the third train is approved it would mean the construction of two additional pipelines, including one from offshore.

Construction of the first LNG production plants on Bonny Island AP

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# Bid to rally support for Clinton censure

By Mark Suzman in Washington

Senators from both big US political parties yesterday sought to rally support for a new resolution to censure President Bill Clinton for his behaviour in the Monica Lewinsky scandal as they prepared for today's closing arguments in his impeachment trial.

After listening to Republican prosecutors and White House lawyers present excerpts from videotaped testimony by Ms Lewinsky and two other witnesses on Saturday, several senators said they had not heard any new information that was likely to prevent Mr Clinton from being acquitted in a final vote later this week.

Although some members will be attending King Hussein's funeral in Jordan today, Trent Lott, the Senate majority leader, indicated that the trial would continue as scheduled. Final deliberations are due to begin on Tuesday with a vote on the charges that Mr Clinton committed perjury and obstructed justice in covering up his affair with Ms Lewinsky coming Thursday or Friday.

In an effort to ensure that the decision does not allow Mr Clinton to claim vindication for his actions, a bipartisan group of senators attempted to build support for a censure motion that would condemn the president's actions.

Robert Bennett, a Republican from Utah, and Dianne Feinstein, a Democrat from California, said they were working on various drafts of a resolution that would accuse Mr Clinton of "shameless, reckless and indefensible" behaviour and of having "deliberately misled the American people".

But Phil Gramm, a conservative Republican senator from Texas, believed the censure idea was unconstitutional. He warned he would "adamantly" oppose any attempt to pass it even if meant a further delay in the trial. "Impeachment is about the constitution, censure is about getting political cover," Mr Gramm told NBC television.

Mr Bennett said he was optimistic a compromise might be reached but acknowledged it would be difficult to get enough support from his fellow Republicans. However, support does appear to be growing for a Democratic proposal to make the Senate's final deliberations open to the public.

Senators also indicated that they did not believe a new controversy over whether Sidney Blumenthal, a White House aide who was one of the other witnesses for the trial, may have lied in his deposition would delay proceedings.

# IBM to unveil digital music sales system

By Alice Rawsthorn in London

IBM, the world's largest computing company, and the "big five" music groups today unveil proposals to launch the first fully fledged digital music distribution system – code-named the Madison Project.

Details of the Madison Project, which will enable consumers to buy albums and singles in the form of digital signals sent to their personal computers over the internet, have been the subject of secret discussions between IBM and the music industry for over a year.

The big five – Universal, Sony, Warner, EMI and Bertelsmann – are anxious to diversify into the potentially lucrative digital music market at a time when internet music piracy is escalating, but have been deterred from doing so by the dearth of technical and legal controls.

The results of the Madison Project experiment will also influence the development of the Secure Digital Music Initiative (SDMI), a programme whereby the big five plan to set guidelines for digital distribution systems in conjunction with technology companies, including IBM, Microsoft and AT&T.

IBM has convinced the big five that its Madison Project technology, which has absorbed $20m of development investment, will provide an efficient means of delivering music to consumers and will be secure enough to protect their copyrights from piracy. The five signed a confidential agreement in November to participate in a pilot programme, and to contribute to the project's development costs.

IBM will disclose details of the pilot, scheduled to start in San Diego, California, in the next few months. It will include several hundred households, which can choose from roughly 200 albums on the Madison Project internet site.

Each album will be sent digitally to its purchaser in three to six minutes, although IBM will also run a conventional mail order service in case of error. The digital musical signals will be encrypted to prevent unauthorised copies being made.

The San Diego pilot is intended to test the efficacy and security of IBM's technology, and to enable the big five to see how consumers react to digital distribution.

Downloading music digitally from the internet is increasingly popular, particularly among US teenagers, but is conducted mostly on an unauthorised basis using pirate internet sites.

There is also a growing trend for consumers to buy conventional compact discs by mail order from online retailers.

## NEWS DIGEST

### ETHIOPIA-ERITREA DISPUTE ESCALATES

## Border tension erupts into full-scale hostilities

An eight-month war of words between Ethiopia and Eritrea erupted into full-scale hostilities at the weekend with two days of serious clashes at the disputed border in the Badme region. Each sides accused the other of starting the conflict and each maintained it had gained the military upper hand.

The two countries waged a brief air and ground war over their disputed border last May, following a steady deterioration in relations. Tensions have remained high for the past eight months, despite efforts by the US, the Organisation of African Unity and the United Nations to broker a peace deal, and both Eritrea and Ethiopia have stockpiled weapons.

Kofi Annan, the UN secretary general, condemned the conflict and called for a peaceful solution. "The alternative, continued fighting, is completely unacceptable to the international community," he said. **Mark Turner, Nairobi**

### HEDGE FUND PROBE

## Iosco sets up task force

The International Organisation of Securities Commissions (Iosco) has set up a task force to investigate highly leveraged institutions such as hedge funds in response to the near-collapse of Long-Term Capital Management, the US fund.

The decision comes a week after a report by the Basle committee of banking supervisors criticised banks for failings in their risk management processes and called for improvements in their dealings with highly leveraged financial institutions. Michel Prada, chairman of the Iosco technical committee, said the organisation intended to co-operate with the committee over how to apply its proposals to the supervision of securities and derivatives firms.

The task force will consider the need for greater transparency before reporting to Iosco's technical committee at the end of May. Lack of transparency was cited as one of the main causes of concern following the collapse of LTCM last September. Iosco's task force will also look at risk management, internal controls, settlement systems and public disclosure. **Jane Martinson**

### DON DUNSTAN DIES

## Political leaders pay tribute

Australian political leaders yesterday paid tribute to Don Dunstan, an influential figure in the Australian Labor party who died in Adelaide on Saturday after a seven-year battle with cancer. Mr Dunstan, 72, was premier of South Australia on two occasions, 1967-68 and 1970-79.

He never entered national politics but helped shape some of Labor's most significant policies. He led the fight to abolish the "White Australia" anti-Asian immigration policy in the 1970s and put aboriginal land rights and anti-discrimination legislation on the national agenda.

He is also credited with transforming one of Australia's most conservative states into one of its most progressive, making South Australia the first state to decriminalise homosexuality, reform its parliamentary system and overhaul licensing laws. **Gwen Robinson, Sydney**

**DEFENCE INDUSTRY** UK PROCUREMENT CHIEF SEES LITTLE THREAT FROM EUROPEAN CONSOLIDATION

# Mergers 'will not hit competition'

By Alexander Nicoll, Defence Correspondent

Moves to consolidate Europe's defence industry, including the planned merger of British Aerospace with its biggest UK rival, will not unduly restrict competition among weapons makers, according to Sir Robert Walmsley, chief of defence procurement.

Sir Robert's remarks, in an interview with the Financial Times, will encourage BAe and General Electric Company, which are focusing on the regulatory process that will begin as soon as they reach final agreement on terms of BAe's £7bn ($11.5bn) purchase of GEC's Marconi defence division.

The Department of Trade and Industry will scrutinise competitive aspects, with Stephen Byers, trade and industry secretary, having to decide whether to refer the deal to the Monopolies and Mergers Commission. But the competition authorities will listen closely to the Ministry of Defence, the two companies' most important customer.

Sir Robert acknowledged there could be a problem "if all the European companies were to turn into a single one". But he added: "This merger hasn't affected shipyards – BAe haven't got any shipyards. It hasn't affected the position in armoured fighting vehicles at all."

Procurement of the Eurofighter combat aircraft, an important source of business in future years for BAe and Marconi, had in any case not been run competitively.

Sir Robert, who oversees the Ministry of Defence's £9bn annual purchases, said: "Our commitment to competition remains." The ministry was achieving 76 per cent of procurement by competition, he said, which was "about as good as we've ever done".

The evidence was that vertically integrated companies – as BAe would be after acquiring Marconi's electronics activities – do not always equip aircraft with their own electronic systems. "Companies totally accept that, if they want to be efficient, they should not be relying on themselves as sole-source suppliers."

Competition would also be maintained by the presence in the UK of overseas defence companies, Sir Robert said. Lockheed Martin and Raytheon of the US and Thomson-CSF of France all have UK activities.

Tony Blair, prime minister, and George Robertson, defence secretary, have been among European politicians urging the defence industry to form a single aerospace and electronics company to challenge US rivals.

The government's enthusiasm for the pan-European concept is worrying some in the defence establishment. A former senior defence official said last week a single European aerospace and defence company would be "the largest intra-European monopoly anyone could think of".

However, the BAe/Marconi deal has almost certainly delayed the formation of a unified European company.

# Competing railway groups start train fares war

By Charles Batchelor, Transport Correspondent

A railway "fares war" has broken out on the busy routes between London and Birmingham, as competition grows between rival companies anxious to increase their revenues.

Chiltern Railways has launched a £10 ($16.50) return fare – claiming it to be the lowest ever – to draw attention to the alternative it offers to Virgin Rail, which dominates the route between the capital and the English Midlands city.

London to Birmingham is but one of a growing number of routes where competition is opening up between companies that emerged after the break-up and sale of the formerly state-owned rail network.

Chiltern said its London-Birmingham fares already undercut Virgin's. However, until the launch of the £10 fare, Silverlink, a third operator, offered fares lower than the other two companies.

But Chiltern complained that passengers telephoning the national rail inquiry service were always quoted the Virgin fare because Virgin operates the fastest service.

Inquirers are rarely offered a slower journey even if it is much cheaper, Chiltern said. The Association of Train Operating Companies, which is responsible for the service, said it was upgrading its systems so that staff had access to information on the cheaper fares.

Chiltern said steep fare increases by Virgin on its west coast routes would help it meet its target of increasing its share of the London-Birmingham market from under 5 per cent to at least 20 per cent within two years.

"Chiltern introduced new trains last year, something Richard Branson's Virgin Trains can't achieve until 2001," said Alex Turner, Chiltern marketing director. "On top of that we are now £30 cheaper than Virgin at peak times and the journey is only 20 minutes longer."

Chiltern's new £10 fare is restricted to the over-55s and students, and is only available at Birmingham. But Chiltern's normal cheap day return costs £20.50 compared with Virgin's £21.50 and is available on earlier trains.

Virgin said it offered a £14 London-Birmingham return fare, but unlike the two other companies, this had to be booked at least three days in advance.

Chiltern's £40 standard open return compares with the £70 charged by Virgin.

# Brewers to lobby Brussels on beer taxes

By John Willman, Consumer Industries Editor

Britain's brewing industry has joined brewing trade groups from four other European Union countries to lobby the European Commission for greater tax harmonisation on beer taxes.

The UK Brewers and Licensed Retailers Association believes Brussels should force member states to bring their excise duties on beer down to the target of about 8p (13 cents) a pint agreed by EU finance ministers in 1992.

Since the 1997 election, the government has twice raised excise duty on beer, taking it to 33p a pint. The UK is the only EU country moving further from harmonisation.

Beer tax in three other north European countries is still above UK levels, though moving down towards the target rate. The brewers intend to demand that Mario Monti, single market commissioner, takes steps to eliminate the differentials.

"A single market cannot work without looking at excise duty," the BLRA said. "Duty rates are the single biggest cause of price differentials between member states – VAT rates have converged and differences in corporation tax levels have little effect on pricing."

The campaign links the UK group to brewers' representatives from the four other EU countries with beer taxes above the target rate. These are Finland which has the highest tax at almost 60p a pint, Ireland at 40p, Sweden with more than 30p and Denmark at 20p.

The organisations from high-tax countries are considering forming an umbrella organisation to press their case. While they are lobbying their governments, they believe the Commission should take responsibility for completing the single market.

The BLRA is also supporting a domestic challenge against the UK government over two recent duty increases which have added 2p a pint to the tax since the start of 1998. Shepherd Neame, the independent brewer, has asked the Court of Appeal for its case to be heard in the European Court of Justice in Luxembourg.

Getting to grips: prime minister Tony Blair warns Labour party members that spring elections will be "toughest period" Press Association

**POLITICS** MOVE TO UNITE ACTIVISTS BEHIND LABOUR LEADERS IN LOCAL AND EUROPEAN POLLS

# Blair rallies party ahead of elections

By Alan Pike in Manchester

Tony Blair, the prime minister, yesterday fought to ignite fighting spirit among activists of the ruling Labour party with a warning that this spring's mid-term elections would occur at "the toughest period for any government".

The government, he said, had a route map of reforming, modernising policies to last for the present parliament. But it still had to deliver on many of the tough targets it had set. Warning that "we cannot be complacent", he told the party's local government and European conference in Manchester, northern England. "We have put in place our plans but it will still take time to deliver and the public rightly wants results."

The conference launched Labour's campaign strategy for the Scottish parliament, Welsh assembly and English Scottish and Welsh local government elections in May, and those for the European parliament the following month. This series of polls – which Labour is promoting to its members as "the biggest electoral challenge this century" – will be fought around the concept of "team Labour".

"When people vote Labour, from the parish council to the European parliament, they are voting for the same team," Mr Blair said. "I want every member of parliament campaigning for every member of the European parliament, every MEP campaigning for every [local government] councillor."

Labour has enjoyed comfortable opinion poll leads ever since the general election in May 1997, but party official are worried that, particularly in the local government elections, this may not prevent it from appearing to do relatively badly. When the local council seats to be contested in May were last fought four years ago, Labour achieved its best ever local government result. But it often won by small majorities in areas where the party has not traditionally been strong, and it will require enormous effort to retain some of these seats this year.

Senior government ministers attending the conference were also anxious to dispel any doubts among activists about the direction and priorities of the government, which might lead to apathy in the election campaign. Margaret Beckett, leader of the House of Commons, the UK parliament's lower house, and Labour's election campaign co-ordinator, yesterday told the conference: "If there are any of us in this hall who are feeling a bit tired, or feeling any sense of apathy – let alone cynicism – we can decide here and now to put it aside."

Mr Blair gave his members a clear mandate to do battle with the Liberal Democrats, the UK's third-largest political party, in the local elections, regardless of co-operation between the Lib Dems and Labour on constitutional issues. "Locally, they will promise everything to anyone but can't deliver it," he said.

# Genetically modified crop trials in jeopardy

By Vanessa Houlder in London

An important set of environmental trials of genetically modified crops is in jeopardy because farmers fear that the crops will be targeted by environmental activists if they participate.

Novartis, a developer of GM sugar beet, said that the government-backed ecological trials might not go ahead because of the difficulty in finding growers.

"Given the statements of people like Genetix Snowball who want to destroy test sites, farmers are reluctant to put themselves forwards. Farmers and landowners are extremely anxious," said Novartis.

Genetix Snowball, a protest group that has destroyed crops at test sites, said that its campaign would extend to the trials, which it believed were dangerous and unnecessary.

"It is very likely we will see further protests at GMO [genetically modified organism] release sites from activists who are articulating public demands for a moratorium," it said.

English Nature, the government's official adviser on environmental issues, said it was very important that the trials went ahead, because, under European Union rules, the government needs supporting evidence if it is to ban a GMO without fear of reprisals.

But English Nature is critical of the government's attitude towards getting results from the trial, which will monitor the ecological effects of growing herbicide-resistant crops. The government has said it wants to see the results before deciding whether to move ahead on commercialisation.

But English Nature believes that the trial will not yield any meaningful results before the first GM crop is commercialised, which is due to happen in a year.

English Nature says the research will not be completed and evaluated for at least four years. It has urged a delay in commercialisation because of its concern that GM crops – although potentially beneficial – could have adverse effects on wildlife.

## NEWS DIGEST

**NORTHERN IRELAND**

### Power-sharing executive faces delay, minister warns

Mo Mowlam, the UK's chief minister for Northern Ireland, yesterday admitted that the March 10 deadline for establishing a power-sharing administration in Ulster may slip.

Implementation of the Good Friday peace accord has become deadlocked over the insistence by pro-British unionists that the Irish Republican Army must begin to disarm before republicans – who favour a united Ireland – can take seats in the devolved executive.

"What we've got to do is keep momentum – we don't want this running into the parades or into the European elections," Ms Mowlam told the BBC television's *Breakfast With Frost* news programme. "So in that sense it's a pretty clear deadline. However, we missed the Good Friday agreement by a couple of days – we may well miss this. I'm aiming for it, the parties are aiming for it, but nothing is written in stone." **Andrew Parker, London**

**POLITICIANS' EXPENSES**

### Tory 'hypocrisy' over US trip

William Hague, leader of the opposition Conservative party, yesterday faced charges of hypocrisy after it emerged that he will use a Scottish industrialist's jet to fly to the US on Wednesday. Irvine Laidlaw, a member of the Scottish Conservative party, is providing his 11-seater Falcon jet to Mr Hague for the five-day visit.

David Willetts, the Tory education spokesman, said the gesture would be declared if necessary in parliament's register of member's interests. He said there was a suspicion that ministers were flying on Concorde "for the fun of it" at the taxpayers' expense.

*Hilary Armstrong, the local government minister, said:* "William Hague's hypocrisy knows no bounds. He thinks ministers engaged in important government business should be denied access to the most efficient means of transport, but is determined to use them himself." **Andrew Parker**

**CRIME**

### Plan to dock welfare benefits

Criminals could have their welfare benefits docked if they breach probation or community service orders under proposals being considered by the government.

The Department of Social Security confirmed the plans were being studied by ministers for possible inclusion in legislation during the next parliamentary session.

Paul Cavadino, spokesman for the National Association for the Care and Resettlement of Offenders, said the plan would "cause more crime than it would prevent".

"By pushing people deeper into poverty, reducing benefits would increase the temptation to commit more thefts," Mr Cavadino said. **Andrew Parker**

**SCHOOLS SEX ROW**

### Minister backs inspector

David Blunkett, the education secretary, yesterday gave his backing to Chris Woodhead, chief inspector of schools, after Mr Woodhead apologised for saying that sexual relationships between teachers and pupils could be "educative". His statement appeared to conflict with legislation that will make it a criminal offence for teachers to have sex with 16 and 17-year-olds.

Mr Woodhead said he had made "a mistake" while addressing student teachers at Exeter University 10 days ago, and added: "Teachers are in a position of authority over their pupils and that position must not be abused." **Andrew Parker**

**WELFARE-TO-WORK**

### Scheme to include the over-50s

Gordon Brown, chancellor of the exchequer, is poised to extend the "New Deal" welfare-to-work scheme to target unemployed over-50s in next month's annual Budget statement, as a study by a Treasury civil servant underlines the collapse of work prospects among that age group.

Forty per cent of men aged 55-65 now do not work, compared with 20 per cent in 1979. Many are forced to retire; some opt for this because they can afford it.

The dramatic fall in the number of older men in work – almost 800,000 more would be working if the proportion of working men aged over 50 was the same as in 1979 – has growing implications for the funding of pensions, according to the study by the Centre for Analysis of Social Exclusion at the London School of Economics.

"The trend towards early retirement means that working lives of only 30 years are no longer uncommon," said John Hills, the centre's director.

"As a matter of arithmetic, that makes it harder to have a pension system that is both adequate and affordable – and it makes it more difficult for individuals to achieve sufficient pension provision for themselves." **Nicholas Timmins, London**



# Chancellor urged to consider needs of small firms

By Vicki Bakhshi in London

The Confederation of British Industry is urging the chancellor of the exchequer to consider the needs of existing small businesses in next month's annual Budget statement, as well as helping new businesses to start up.

The CBI small and medium sized enterprise council's Budget recommendations, published today, warn that many established small businesses are struggling to generate enough cashflow. "Government can ease cashflow problems by adapting the tax system to allow continued success and growth," Colin Perry, chairman of the SME council, said yesterday.

To support existing businesses, the CBI, the employers' group, wants the government to introduce permanent 100 per cent first-year capital allowances; extend the one-year carry-back limit on loss relief to three years; and consider an enhanced tax allowance for spending on research and development.

While welcoming the government's attempts to help start-ups so far, the CBI says some of the initiatives are not working as well as they should because they are too complicated. It says regulations for the enterprise investment scheme and the capital gains tax taper should be revised.

It would also like to see an executive share incentive scheme for small companies, and a mechanism to allow new companies to offset research and development costs against other tax streams.

The CBI says the burden of compliance and regulation on small businesses is growing, and recommends the government should consult them before implementing further legislation.

# University recruitment looks to east Africa

By Mark Turner in Nairobi

UK universities are pursuing a surprising source of foreign students: east Africa.

The seventh British education fair in Kenya has attracted a record 36 UK institutions with more than 60 delegates, almost double that of the first fair held in 1994. The fair opened yesterday and closes on Tuesday.

With uncertain prospects in Asia and Latin America, British universities are chasing an increasingly sophisticated pool of middle-class Kenyans, who feel let down by their national university system and can afford to continue their education abroad.

The number of these Kenyans is surprisingly large – for a country with a gross national product per head of about $300 (£183) and whose economy is in severe difficulty.

Kenya ranks fourteenth in the league of non-European Union countries that send students to the UK.

It sent more than 2,000 students in 1997-98, compared with under 1,500 in 1994-95. While falling behind Asian countries such as South Korea and Thailand, Kenya has overtaken Pakistan and resisted the drops seen in Malaysia and Hong Kong.

UK universities are also attracting more distance-learning students, and creating partnerships with local researchers. As the pool of alumni grows, links are growing stronger.

"Kenya was small in comparison with the Far East, but is now significantly more important," says Peter Gardner, from the University of Brighton.

Brighton has 130 Kenyan students, rising by 5-10 per cent a year. Although growth in Kenya may be plateauing, new interest is emerging from neighbouring Tanzania and Uganda.

Most Kenyans studying in the UK are of Asian origin, however the proportion of African Kenyans is growing. Students tend to opt for subjects such as medicine, sciences and engineering, but there is increasing interest in British art and design.

To lock in students earlier, universities are pursuing local twinning schemes. The Northern Consortium, which includes Manchester and Sheffield universities in northern England, established a one-year foundation at Braeburn school in Nairobi in 1994. Since then, 80 students a year have attended the school, and all have received unconditional offers from the UK.

Competition for African markets is growing: the US continues to be popular, and India capitalises on traditional ties. Australia, which lost out severely from the Asian crisis, is marketing itself aggressively, and is cheaper.

UK universities are increasingly critical of slow British visa procedures. Delays sometimes mean students arrive three to four weeks late, or go to Australia instead.

# WEEK AHEAD

## DIVIDEND & INTEREST PAYMENTS

**■ TODAY**

Abbey National Treasury 9.4% Nts 2000 Lire470,000
Assoc British Foods £33.3125
Bass 20.9p
Ben Nevis One Class A FRN 2030 $3370.78
Do Class B FRN 2030 $3612.196
BG 7⅛% Bds 2044 £71.25
Five Oaks Invs 8⅜% Deb 2019 £4.1875
FKI 3.7p
Italy 8¾% Nts 2001 $437.50
London Clubs Intl 2.625p
Northern Foods 6¾% Cv Bds 2008 £33.75
Osaka Gas 7⅛% Bds 2007 $71.25
Pall $0.16
Pearson Sterling Finance 10¾% Bds 2002 £537.50
Safeway 4.4p
Somic 1.375p
South Africa 9⅜% Nts 2006 £93.75
Sudwestdeutsche Landesbank Cap Mkts 5% Gtd Nts 1999 DM50
Thomas Potts 0.06p

**■ TOMORROW**

Anchor Intl $0.035
Bank of Asia Public 3¾% Bds 2004 $37.50
Eksportfinans 6⅞% Bds 2004 SKr687.50
Hydro-Quebec 11% Debs 1999 C$10
Japan Finance 6⅛% Bds 2006 $306.25
*Storehouse 3.7p*
Triad 3p

**■ WEDNESDAY FEBRUARY 10**

*Abbey National Treasury* CNO-TEC FRN 2009 FFr8807.95
American Express $0.225
BCH 5p
Conversion 9¾% 2001 £4.875
Export-Import Bank of Japan 6¾% Bds 2000 $337.50
Faupel Trading 0.8p
GMAC Intl Finance 7⅛% Nts 2000 £71.25
Helphire 0.8p
Higher Education Sec Invs Series A1 FRN 2028 £487.19
Do Class A2 FRN 2028 £546
Do Class A3 FRN 2028 £569.01
*Do Class A4 FRN 2028* £628.19
Do Class B1 FRN 2028 £669.29
Do Class B2 FRN 2028 £669.29
HW Group 1p
Minorco SA $0.08
Nomura Intl FRN 2004 $150.14
Quadrant Housing Finance Bds 2018 £247
Sanderson 2.9p
Sterling Inds 3.5p
*Treasury 6% 1999 £3*
United Drug IR7.7p
Universal Salvage 0.1p

**■ THURSDAY FEBRUARY 11**

Bradford & Bingley BS FRN 1999 £177.90
BTR 4.33p
For & Colonial PEP *0.66p(FID)*, 2.19p
Jurys Hotel IR4p
Quadramatic 6p
Severn Trent B 1.096582p
*Williams Non-Cum Cv B* 0.621533p

**■ FRIDAY FEBRUARY 12**

Berkeley 2.8p
Daily Mail & General Trust 18p
Do A N/V 18p
Goode Durrant 4p
Harvey Nichols 2.1p
Henderson American Cap & Inc 1.8p
Do Income 2.4p
Hozelock 7.9p
Imperial Tobacco 15.8p
Jennings Bros 5.4p
Marsh & McLennan $0.40
*Mazda Mtr FRN 2000* Y18567
Prism Rail 4.2p
Vodafone 3.12p
Weeks 0.044p



## UK COMPANIES

**■ TODAY**

COMPANY MEETINGS:
**Century Inns,** Davonport Hotel, 16-18, The Front, Middleton One Row, Darlington, 10.30

BOARD MEETINGS:
Interims:
**IAF Group**
**PizzaExpress**
**Roxspur**

**■ TOMORROW**

BOARD MEETINGS:
Finals:
**Gartmore British Inc & Growth**
**Henderson TR Pacific**
**Reuters**

Interims:
**Epic Group**
**Stoves**

**■ WEDNESDAY FEBRUARY 10**

COMPANY MEETINGS:
**Carlton Comms,** Armourers' Hall, 81, Coleman Street, EC2, 10.30
**IOC,** Senator House, 85, Queen Victoria Street, EC4, 10.30
**SEC,** The Elstree Moat House, Barnet By Pass, Borehamwood, Hertfordshire, 9.30

BOARD MEETINGS:
Finals:
**Scottish American**

Interims:
**BSkyB**
**JSB Software Tech**

**■ THURSDAY FEBRUARY 11**

COMPANY MEETINGS:
**Airtours,** The Midland Crowne Plaza, Peter Street, Manchester, 11.30
**Legal & General Recovery,** Temple Court, 11, Queen Victoria Street, EC4, 12.00

BOARD MEETINGS:
Finals:
**Britannia Smaller Cos**
**Inn Business Group**
**Royal Dutch**
**RPS**
**Shell**

Interims:
**Armitage Bros**

**■ FRIDAY FEBRUARY 12**

COMPANY MEETINGS:
**Burndene Invs** 22, Handover Street, Edinburgh, 10.30

BOARD MEETINGS:
Finals:
**Torex**

*Company meetings are annual general meetings unless otherwise stated.*

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

# INSIDE TRACK

**PROFILE** WARREN LIEBERFARB, PRESIDENT OF WARNER HOME VIDEO

# Disc world crusader

It's the success the industry has been looking for. But a long fight was needed to trigger the DVD explosion, writes **Christopher Parkes**

There was no mistaking the tear in Warren Lieberfarb's eye in a Las Vegas ballroom last month. Strong men don't blub, but this was a poignant moment, the passing of a milestone for the president of Warner Home Video, the Time Warner subsidiary.

What moved Mr Lieberfarb was the coming of age of his foster-child: the digital video disc player. Over the holidays, the DVD had been the US family gift of choice.

It was the fastest-moving home electronics introduction on record, and the mass-market success the industry had been looking for since the compact disc player. Big box retailers, hardware makers and film executives poured praise on "their" achievement at the celebratory event in Las Vegas. Even Bill Gates sent a Microsoft evangelist to join the chorus.

Mr Lieberfarb was last to speak. His company's sales of films on disc had ballooned to $240m at wholesale prices in 1998, he said. Eight million discs were stacked next to almost 1.4m players in US homes.

His delivery and demeanour belied the role he had played as a bellwether on the rocky path to convergence between the traditional world of entertainment and the digital era.

As the sales drive starts in Europe, Mr Lieberfarb took a pause in his office in Burbank, California, to review his role as the "champion" of DVD.

Without his commitment and sharp elbows, the market would probably still be waiting for the DVD explosion. At best, digitally recorded films would be available in a muddle of incompatible formats.

Mr Lieberfarb's "odyssey" started in 1968, when he first aired his thoughts on the film business in a paper to his boss, the president of Paramount Pictures.

The trouble with film lay not with the product, but the way it was distributed, he said. Although video technology was still in its infancy, he thought films should be collected like books.

The concept had to wait until the mid-1980s and the introduction of the video cassette recorder, which some thought answered the distribution question.

By then Mr Lieberfarb was running Warner Home Video, and while making the most of the cassette rental market, he was not convinced tape provided the answer he wanted. Many have since subscribed to his view. Mr Lieberfarb believes that the proliferation of TV channels which started with cable in the 1970s and has lately been expanded by satellites delivering 200-plus channels, digital cable and digital broadcasting services, bodes ill for the future of the video rental business.

> **He never felt threatened by the setbacks, which was unusual in Hollywood**

While tending Warner's home video interests through the subsequent VHS boom, he dusted off and refined his original concept. Films should be collectable – like paperback books to be bought, kept, "read" at whim by anyone in the household, independent of programmers, without the inconvenience of going out to the store, and cheap enough to count as impulse purchases.

Video cassettes, though relatively complicated and time-consuming to reproduce and assemble, offered one possible way forward, and it was Warner, in company with Paramount, which pioneered home videos for sale in 1985, at $39.95 apiece.

But Mr Lieberfarb was already looking further ahead. "Price was central, and I discovered that in very high volumes the laser video disc could be a lot cheaper than VHS.

"I tried to convince the Japanese to make a combination laser video/CD audio player, but Pioneer was the only one interested," he says.

Sony and Matsushita balked at paying Philips and MCA (now Universal) the licence fees for their patented laser technology. In any case, Sony was focused on its 8mm video tapes, Matsushita was doing well with VHS, and there was little support at home. Most of Hollywood was "ambivalent at best" about the laser disc, Mr Lieberfarb says.

The tangle of conflicting interests among consumer electronics makers, the lack of interest in the film world, and sheer raw rivalry was to become familiar to Warner – and the rest of the world – as the troubled latter days of the evolution of DVD systems were played out in the business press.

Mr Lieberfarb says he never felt threatened by the setbacks, although this was unusual in Hollywood, "where how you perform every week is the determinant of your survival".

He believes he survived because he had supportive managers and a consistent track record of his own. "I don't think you can do it unless your CEO is a co-champion," he says. And since Warner Home Video consistently met or exceeded its targets on Mr Lieberfarb's watch, his credibility was intact.

The closing chapter of the DVD saga started quietly and depressingly when Warner Bros and Philips joined forces in 1990 to try to compress film and audio on to a CD-sized disc. A year later, he recalls, the picture quality was still inferior to conventional videotape.

Luck took a hand in early 1992 at a Time Warner meeting with Toshiba (one of the group's minority partners in its cable and entertainment arm), when he discovered the Japanese had made much better progress with digital compression.

With Toshiba on side, the process and the flow of troubles gained pace. Less than a year later, putative partner Philips changed sides and joined Sony. Then Matsushita tried to defect from the Warner camp in a crisis deflected only by harsh warnings from the highest level in Time Warner, the world's leading media and entertainment group.

The grateful champion cannot bring himself to repeat the gory details, but he enjoys remembering the moment when Matsushita rejoined his crusade with missionary zeal and set out to demonstrate the inferiority of the Sony/Philips system to the studios.

Yet the troubles were still far from over. In the middle of the technical tussles, Mr Lieberfarb had assembled officials from the main Hollywood studios into a committee. It had agreed a wish-list of what they wanted from DVD: pin-sharp pictures, hi-fi sound, protection from piracy. It was commonly understood that Mr Lieberfarb's baby was the one they would adopt and that supplies of software for the prospective players were guaranteed.

But appearances deceived. "I am not sure this committee was visible to the highest management of its members' employers," he says, recalling the time in late 1995 when Walt Disney, 20th Century Fox and Paramount held back as the final threads were being drawn together.

By then, however, DVD was a full-blown corporate priority for Time Warner, and Mr Lieberfarb's supportive superiors sprang to his aid. The laggards were told they should review their position if they "wanted to effect certain transactions with Time Warner", and the deal was done at last: the world's leading electronics and entertainment companies had agreed against the odds on a single-format system for viewing films on television or the computer.

A "soft" launch in 1997 led to the hard sell in 1998. This year, player sales are predicted to rise by 60 per cent.

But Mr Lieberfarb has one more stage to go: to squeeze disc prices down to the "impulse buy" level. Now, as when he started, he does not know how he will achieve this, but he knows he will get what he wants in the end.


## The Essential Guide to Warren Lieberfarb

**Letters after his name:** BS Econ, University of Pennsylvania; MBA, Michigan; member of the Academy of Motion Pictures, Arts and Sciences.

**Most embarrassing interlude:** this was in 1968 when he had to tell his pals from Michigan he had accepted a job as executive assistant to the president of Paramount Pictures, then part of the Gulf & Western conglomerate.

"In those days you didn't get an MBA to go to work in entertainment."

**Most memorable meal:** 1990 Thanksgiving dinner in the Europa Hotel, Amsterdam, when Jan Timmer, then head of Philips, agreed to collaborate with Warner in attempts to squeeze 70 minutes of film and soundtrack on to a CD-sized disc. It didn't work, but assured him he was not alone. "It was the first door to be opened to us by a technology partner."

**On being a champion:** "It's not about being a cheerleader. I architected this thing going back to the 1980s."

**There when needed most:** his bosses, Bob Daly and Terry Semel, co-heads of Warner Bros, with support from Ted Turner, Time Warner vice-chairman, who championed 24-hour TV news when he founded CNN, and who knows how it feels when everyone else thinks your ideas are duds.



LUCY KELLAWAY

# A laudable aversion to climbing the greasy pole

It's Leadership Week. But do we really need it? All the talk about what makes a good leader seems to be getting us nowhere

It is Leadership Week, as decreed by the Industrial Society. Starting today we are all meant to engage in a "controversial, incisive, lively and forward-thinking" debate on how leaders are created.

It beats me why we need a special week for thinking about leadership. Don't we have more than enough opportunities to rehearse the arguments as it is? A better idea would be to organise a week in which all discussion of leadership was outlawed, in which we refrained both from hero worshipping leaders and from gunning them down should they say something rash about the disabled.

As it is, barely a week goes by without a new treatise on leadership landing on my desk. Among the latest arrivals: *Results Based Leadership. The Absolutes of Leadership. The Book of Leadership Wisdom. Leadership and Performance in the Boardroom.*

And yet for all the ink spilled on the subject we do not seem much closer to understanding what makes good leaders. The answer, of course, is that it is a futile search. It all depends on the person and the organisation.

Part of the Industrial Society's purpose in setting up this week is to prove that leaders are made rather than born. Presumably it wants to establish this point in order to convince us all to go to more seminars and buy more books on the subject.

But the big bosses are going to take some convincing. If you ask your typical Footsie chief exec what makes a good leader he will tell you smugly that it is something that either you have or you haven't.

Like most nature/nurture debates the answer to this one is both. If you are a sweet, tentative sort of person no amount of training is going to make you into Arnold Weinstock. Equally there is no leader so great that he cannot benefit from a helpful hint every now and again.

A more productive and original way to look at leaders is as people who have something wrong with them. This idea was recently suggested to me not by an embittered middle manager who hates his boss, but by Gerry Robinson of Granada, who presumably knows a thing or two about people who have made it. According to him, if you are a well-rounded person you do not want to climb the greasy pole. You recognise that it is dangerous and thoroughly undesirable, and sensibly decide to keep your hands clean instead.

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One of the great boasts of the modern "creative" company is about having a culture in which mistakes are not only tolerated, but actively encouraged. In these organisations screwing up, it seems, is a grand achievement, a badge of honour, a cause for celebration.

It was nice to see this silly, trendy view being put in its place last week by Malcolm Williamson, ex-head of Standard Chartered, who now runs Visa International in the US. Speaking against his peers at Davos, the back-slapping leaders' fest, he said: "People in banking make the same mistakes over and over. They lend to countries, to hedge funds on commercial property. My attitude is if people make that kind of mistake, you shoot them."

It is not only in banking that we make the same errors again and again, it is in everything. Surely what companies need is a culture where people are sufficiently rewarded for getting it right and blamed for getting it wrong.

As far as mistakes go, the sanction should depend on the size of the slip up. A small mistake deserves a small bit of blame; a really big one calls for the high jump. Obvious, really.


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The most useless gadget yet for the smart manager: a jewelled business card case. I have been sent a picture of one, complete with a survey about how much your business card says about you. Apparently if you present a business card with a coffee stain on it your career is as good as over; if you whip your card out of a natty case your career is just beginning.

That is, of course, nonsense; but it doesn't mean your business card is unimportant. Only one rule counts: less is more. Yet companies are increasingly disregarding this rule and attempting to crowd more and more on to the card. I saw a card the other day with the company's mission statement printed on the reverse side: "xxx amazes its customers with innovative, natural, key, high-value ingredients used to create major competitive advantage for customers . . . generating high returns for all."

Worse is the trend for putting fax, phone, mobile, pager, home phone *and* e-mail on the card. A coffee stain may make you look unprofessional. But that makes you look desperate.

*lucy.kellaway@FT.com*

## INSIDE TRACK

**BUSINESS TRAVEL** SAFETY INFORMATION

# Security advice goes online

A new guide to the world's trouble spots is now available for business executives, writes **Amon Cohen**

The murder last week of Kwon Yong-koo, Daewoo's country manager in South Africa, was a grim reminder of the perils of representing one's company abroad.

Crime is growing both in volume and the level of violence, especially in developing countries, according to Control Risks Group, the business risks consultancy. It has just published its latest country-by-country assessment of political and security risks to overseas investors.*

With an increasing number of business executives able to access the internet, CRG has also launched City Briefs, an online safety information guide for business travellers to 200 cities. Companies can distribute the briefs to employees on their intranets.

"There is an increasing threat of crime," says Martin Stone, head of research for CRG. "Many countries are experiencing worsening social and economic problems, and foreign travellers are regarded as very easy – and lucrative – pickings."

In Indonesia, for example, the economic crisis has put millions below the breadline, leading to a targeting of outsiders simply because they are assumed to be richer. In countries such as Pakistan and Yemen, however, criminal and religious groups – often espousing anti-western rhetoric – are sometimes difficult to tell apart.

In other trouble spots, such as South Africa and Russia, the security situation is expected to deteriorate further this year. In Mr Stone's view, the weakening of state control after the dismantling of apartheid and Communism allowed crime rates to rise and created frustrated expectations of material improvement among the population.

The City Briefs feature a mixture of security advice as well as the more usual recommendations on areas such as transport, hotels and restaurants.

Each city is given a safety grading from 1 (nearly crime-free, such as Singapore or Dubai) to 7 (total breakdown of law and order, such as Freetown in Sierre Leone). None of the cities in City Briefs is ranked 7, but 14 are awarded grade 6 status: Algiers, Bogota, Brazzaville, Cabinda (Angola), Guatemala City, Johannesburg, Kabul, Karachi, Kinshasa,

**'Many countries are experiencing worsening social and economic problems'**

Lae (Papua New Guinea), Lagos, Medellin, Port Harcourt (Nigeria) and Port Moresby (Papua New Guinea).

CRG's advice for travellers includes these comments on other cities:

● **Jakarta.** This was a city foreigners could roam around pretty much at will until the current economic crisis. Now all areas are potentially unsafe owing to the sharp increase in street crime and political violence. Limit time spent on the streets and avoid going anywhere after dark.

● **Cape Town:** Not a permanent no-go area like downtown Johannesburg but crime and gangsterism is increasing, car hi-jacking is being reported for the first time and there have been isolated bombing incidents.

● **Almaty:** A relatively quiet destination a couple of years ago, security in Kazakstan's main commercial centre is expected to worsen as social and economic divisions grow. Violent crime against foreigners is increasing and there has also been a rise in car theft and violence against motorists.

● **Mexico City:** Violent crime is rising steeply and caution must be exercised at all times. Banditry is a concern in poorer southern states such as Chiapas, Guerrero and Tabasco.

Control Risk recommends certain precautions when travelling to potentially dangerous destinations. These include not labelling luggage, organising a "meet and greet" service and conducting business at the traveller's hotel, so reducing the number of journeys to be made around the city.

Dressing down is also recommended when possible, as is not taking cameras and watches. Business travellers carrying laptop computers also need to take extra care. "If you have to take a laptop, make sure you know where it is at all times," says Mr Stone. "Some people think about taking palmtop computers instead, which are less conspicuous."

Laptops are often stolen at airports, where the unwary are fleeced before they have acclimatised to their new environment. A favourite distraction at Bogota, says Mr Stone, is for a gang member to dust powder on their victim's shoulder, point the mess out to them and assist with rubbing it off while an accomplice carries out the theft.

Bogota airport is also the scene of kidnapping. If being met there, travellers should ensure drivers never write the company name on their greeting boards.

**Outlook 99 is available from CRG for $250 for one copy and $75 for further copies. An annual subscription for City Briefs costs $5,000 with a further $1,500 for the licence to disseminate it on a corporate intranet. Call +44 0171 2221552.*

**TECHNOLOGY** ISRAELI MILITARY

# Indefensible position on marketing

**Avi Machlis** looks at the emerging private sector's weaknesses and poor sales record

Successful commanders in the armed forces do not necessarily make good managers in business. Sometimes, as Israel's experience suggests, they can be a mixed blessing.

Heavy defence spending, an obsession with security and Israel's drive for a military technological edge in the Middle East have made an unmistakable contribution to the country's high-technology private sector.

But while the Israel Defence Forces (IDF) helped mould Israel's technology entrepreneurs, it was also partially responsible for some of the emerging private sector's weaknesses, especially a poor track record in sales and marketing. Many of Israel's 1,200 start-up companies were founded by veterans of technology units. They may need to go back to business boot camp if they are to win on the marketing battlefield, and create a viable competitive sector on world markets.

"The problem is that marketing and management needs to be learned first and foremost inside a company," says Zohar Zisapel, a founder of Rad, a group of data communications companies. "These skills cannot be acquired in the army."

Instead, what many young entrepreneurs acquired in the army was first-hand experience with cutting-edge technologies. The elite Talpiot military unit was founded in 1979 to nurture technology-oriented draftees with free academic education and experience in research and development.

At Mamram, the IDF's central computer unit, software programmers and engineers were grappling with challenges that were to shape the private sector. Israel's thirst for intelligence fostered expertise in communications technology. In addition decentralisation of the military's computer systems from a central mainframe during the 1970s forced the army to create tight network security systems.

Not surprisingly, therefore, data communications and network security are the private sector's forte today.

Companies such as Check Point and Memco, network security experts, and Nice Systems, the voice and data logging systems manufacturer, are world leaders in their niches, and were founded by veterans of military technology units. However, industry players say technology is not the main advantage the private sector has gained from the military.

"The most important contribution from the military was not technological, but on the personal level," says David (Didi) Arzi, a founder of Nice who recently retired. "Junior officers are given a lot of responsibility, their own projects, budgets and well-defined goals. Young people often don't get that kind of experience in industry."

Mr Arzi, who headed a technological intelligence unit between 1968 and 1983, says the military experience infuses self-confidence and teamwork values over individualism, giving Israelis an edge over their counterparts abroad who have studied at university.

In addition, three years of compulsory service for men and two for women provides a constant flow of brainpower to the military and then the private sector.

Throughout the 1980s, most people released from military technology units made careers in the state-owned defence sector. But when the sector started to feel the crunch of worldwide spending cuts later in the decade, the first defectors began to set up their own companies.

This was no easy task, since there was no venture capital until the government set up the Yozma fund in 1992. Capital started flowing more freely after 1994, when the peace process with the Palestinians began. US venture funds started investing and international capital markets opened up to Israeli companies.

Since then, $1.5bn in venture capital was raised, and more than 100 Israeli companies have issued shares on Wall Street. Most are technology oriented and many have disappointed investors by failing to grow.

Nevertheless, the flow of capital to the private sector has exposed some of its shortcomings.

Many who leave the army to join the private sector are unprepared for the challenges of the free market. Industry players say the army disciplines but does not encourage initiative. It does not teach entrepreneurs the importance of time-to-market in the fast-moving technology world. And it does not provide any marketing or management skills.

"There are some people who believe that if they were commanders in a military technology unit they can run a software company," says Israel Mazin, chief executive of Memco, a security company which was sold last year to Platinum of the US for $412m. "They need to be aware that they have to learn. We were successful because of a combination of solid business skills and development expertise from the army."

Nevertheless, many private companies still prefer military veterans over academics, even though Israel has world-class institutions such as the Technion in Haifa.

**BUSINESS EDUCATION** FUTUROLOGY

# The art of gazing over the horizon

*Companies are beginning to realise the importance of long-term strategic planning, writes* **Helen Jones**

Future Studies may sound like a course for a budding Nostradamus – but at the University of Houston Clear Lake it is taken very seriously.

"This is not about soothsaying or crystal ball gazing," says Oliver Markley, who runs the world's first full-time masters degree in futurology. "While only a prophet or fortune-teller would claim the ability to foretell the future, Future Studies aims to understand and cope with the long-term forces of change," he says.

As the millennium approaches many organisations are beginning to explore what the future will mean for them. Some companies such as British Telecommunications employ full-time futurists and others use external consultants. In response to this growing demand, Professor Markley aims to equip students with the skills required to become a professional futurist.

"As the speed of change increases, organisations will need a futures perspective to survive and be successful. We are expecting continuing growth in this field, particularly as we approach the year 2000," he says.

Many students take the UHCL masters degree as an alternative to an MBA. The course, which attracts students from around the world, offers an introduction to the methods of futures research, scenario development, long-term strategic planning and a range of options, including global consciousness and literature of the future.

Prof Markley says the futures studies course differs from traditional forecasting and planning disciplines in a number of ways. "First, future studies considers a longer time horizon than most forecasters do. Futurists are typically studying the world 10 to 50 years from now in contrast to economists and market researchers who look at one to three years hence."

He also says that because we cannot be certain about such long-term change, futurists describe alternative futures rather than offer single predictions. "They can help communities and corporations envision their preferred futures. This process leads to the kind of practical planning and policy making that truly brings about change."

Students who do not want to relocate to Houston can opt to follow a two-year programme that requires only 12 weeks on campus over two successive summers.

While UHCL offers a full-time course, students in the UK can follow a part-time masters degree in foresight and future studies at Leeds Metropolitan University. Course leader Graham May says: "We are not trying to predict the future but we would like to create the future by understanding what is possible."

Most students are in full-time employment and many are in management consultancy. "We are helping them to think outside the box," says Mr May.

Most of those who follow the UHCL programme become futurists with either a government agency, specialist consultancy or in-house for international corporations.

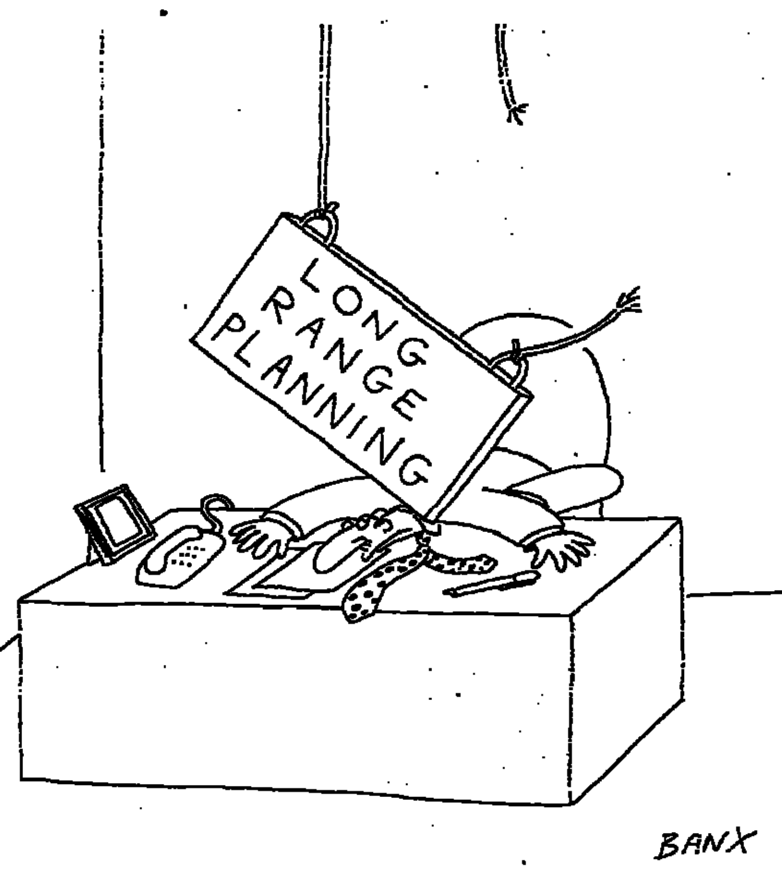
Among them is Andy Hines, now global trends manager for Kellogg. He enrolled on the futures programme "because it was a subject that captured my interest. I had no particular career plans at the time but an MBA or law school wasn't what I wanted."

After graduating, Mr Hines joined Coates & Jarratt, a futurist consulting firm and then got a job with Kellogg. "I have pretty wide lassitude to bring to the company's attention the trends that I believe are important to its future. I broker relationships with what I believe are the best futures firms and focus on bringing their best thinking into the organisation to create new products and processes."

Christian Crews joined the masters programme because he was frustrated with the short-term focus of the company for which he was working. "The programme exposed me to new ideas and different types of scenario building, statistical research skills and also gave me a historical perspective," he says.

Mr Crews is now a long-range planner at Toshiba International. "We've set a long-term financial target for the company, but we realise we cannot get there without a clear understanding of our desired future. We are not changing for change's sake, but making changes based upon the opportunities we see in the external environment and a vision of the company we want to become."

*For further information contact: Studies of the Future, University of Houston-Clear Lake, 2700 Bay Area Boulevard, Houston TX 77057. Leeds Metropolitan University 0113 283 2600.*




**BUSINESS EDUCATION** POTTED THEORY: CHARLES HANDY

# An individual approach to organisations

Charles Handy has established himself as the UK's most respected management writer with a far broader appeal than that characterised by concerns of the boardroom. This is because he comes from a long line of management thinkers such as Elton Mayo and Warren Bennis whose focus has been as much on the individual as it has on the organisation.

This is not to say Mr Handy has ignored organisations. His attraction to metaphor and imagery has described several organisational models from the shamrock to the inside-out doughnut and corporate federalism. His first book, *Understanding Organisations*, identified different cultural classifications that could be applied to most businesses.

Subsequent books began to explore social themes, not least his ideas on the future of work. It is these ideas, attempting to make sense of the more rapidly changing corporate landscape he outlined in *The Age of Unreason*, which have underlined his popular appeal.

Some have claimed that his suggestion that people will need to adapt if they are to thrive in a fluctuating labour market, that they will need to develop "portfolio" careers, assembling bits of work as they go along, represents no more than a minority of working groups.

But the continuing fall-out of people from mainstream employment in the wave of mergers, transforming many traditional business sectors, the increasing attraction of home working, and the spread and improvement in associated technology is bringing portfolio working to an ever increasing proportion of people.

Emerging services such as interim management and outplacement and the profusion of employment agencies, some of which fulfil the function of career administration, have all grown to serve this changing structure of work. Beyond these structural changes, in his more recent work Mr Handy appears to be reaching out for something less definable, a sense of meaning for corporations other than that of generators of profit. He has begun to speak of large public companies as communities with a common purpose. "Money machines motivate only the few insiders who get most of the money. Great businesses have a purpose beyond their own survival," he writes in this month's Director magazine.

*Charles Handy, born 1932.*
*Worth reading: The Empty Raincoat, Hutchinson, 1994.*
*Quote: "No longer can one expect to sell 100,000 hours of one's life to an organisation."*

**Richard Donkin**

NEWS FROM CAMPUS

## Banks back study in eastern Europe

Students who want to study management in eastern Europe can now take advantage of a loan guarantee scheme which covers the cost of all tuition fees.

The scheme is supported by the European Bank for Reconstruction and Development, ABN Amro and the Soros foundation.

The scheme is similar to the one already in operation to enable eastern European students to study at four western business schools, Insead, Iese, London Business School and the University of Michigan.

The first school to participate in the new scheme is the International Executive Development Centre, in Slovenia. To be eligible for a loan, candidates must have been offered a place at the IEDC.
*IEDC: www.iedc-brdo.si*

## Simon delivers just what the doctors ordered

The Simon School at Rochester University has built on one of its traditional strengths to launch an executive programme aimed at doctors and others in the medical profession who need management skills.

The healthcare leadership programme is run at weekends over a four-month period. On the first programme, which began last month, 30 of the 40 participants are doctors.
*Simon (Rochester): www.ssb.rochester.edu*

## The importance of looking back and forward

Just when you thought business schools had given up on jargon, Ashridge, in the UK, has developed an expression, or "paradigm" as it likes to call it.

"Timeline leadership" is a core element in Ashridge's Leadership Programme, launched this year. It starts with the belief, according to the literature, that understanding the past, present and the future are all important. But for a true leader it is important to know the priority that should be given to each.

The ALP is tailored to the individual requirements of each leader and each is assigned a dedicated leadership coach before starting the programme. The coach stays with the participant throughout the programme and then reviews progress at three and six-monthly intervals.
*Ashridge: http://www.ashridge.org.uk.*

## MSc degree specialising in information

Strathclyde Graduate Business School, in Glasgow, is launching an MSc degree in business information systems management in April. The course is intended for managers, information specialists and those hoping to specialise in information systems.

The programme was designed in consultation with more than 30 leading companies.
*Strathclyde: UK, (0)141 553 6000*

## Excellence award for Gerstner

Lou Gerstner, chairman and chief executive of IBM, has received the excellence in business, engineering and technology award from Washington University in St Louis.

One of the three schools which gave the award was the Olin School of Business.
*Washington University: www.wustl.edu*

**William Batten**
We reported last week that William "Mil" Batten, former chairman of the New York Stock Exchange, had given $500,000 to the Fisher College of Business at Ohio State University. Mr Batten died shortly after the gift was made.

Information for News from Campus should be sent to Della Bradshaw, The Financial Times, One Southwark Bridge, London SE1 9HL. Tel. 44 171 873 4673 Fax 44 171 873 3950

# OPENINGS

**NEW YORK**
Schoenberg's *Moses und Aron* receives its Metropolitan Opera premiere tonight. James Levine conducts a staging by Graham Vick, with John Tomlinson and Philip Langridge in the title roles.

**WASHINGTON**
The Washington Opera presents its first production of *Boris Godunov* at the Kennedy Center Opera House on Saturday. Samuel Ramey sings the title role in the widely-travelled Tarkovsky staging, revived by Stephen Lawless and conducted by Isaac Karabtchevsky.

**PARIS**
Starting on Wednesday, the Louvre offers a chance to view the results of the latest Theban excavations at the tomb of Ramses II. More than 400 treasures have so far been recovered from the tomb of the Egyptian pharaoh. The exhibition runs until May 10.

At the Palais Garnier, the Opera Ballet brings back John Neumeier's updating of *Sylvia* to the repertory tomorrow.

**LEEDS**
Actor Ian McKellen takes his first Shakespearean role since Richard III as Prospero in *The Tempest*, alongside Claudie Blakely's Miranda (left). The director is Jude Kelly and designs are by Robert Innes Hopkins. It opens tomorrow at the West Yorkshire Playhouse.

**LONDON**
The London Mozart Players celebrate their 50th anniversary on Thursday at the Festival Hall with a royal gala concert. The programme, conducted by Matthias Bamert, includes the world premiere of John Woolrich's Concerto for Orchestra and a performance of Mozart's Flute and Harp Concerto featuring James Galway.

**BERLIN**
The 49th Berlin Film Festival begins on Wednesday, with a strong Anglo-US line-up competing for the Golden Bear from *Shakespeare in Love* to films from Altman, Frears, Cronenberg and Terrence Malick (left).

**BARCELONA**
As the re-building of the Gran Teatre del Liceu nears completion, the opera programme continues at the Teatre Victòria with Bellini's *Norma*, conducted by Stefano Ranzani and staged by Francisco Negrin in designs by Anthony Baker. Sharon Sweet sings the title role, with Verónica Villaroel as Adalgisa. The first night is tomorrow.

**VIENNA**
Jean-Michel Basquiat (right) is the subject of an exhibition opening at the Kunsthaus on Thursday, the first Austrian show of his work. Basquiat was one of the most successful black-hispanic artists in the US, until his death from a drugs overdose in 1988, aged 27, made him an icon of 1980s New York. 100 works have been loaned by the Mugrabi Collection.

Nikolaus Lehnhoff: 'Money spoils, and so does the greed for power. There are too many theatre directors sitting, like Fafner, on the gold' — Jason Orton

# Free from all rites and rituals

Nikolaus Lehnhoff may have radical views about 'Parsifal' but his credentials are impeccable, writes **Andrew Clark**

Start with Samuel Beckett. Throw in Goethe, Heidegger and T.S. Eliot. Add Einstein's theory of time and space, and imagine yourself listening to early Schoenberg. Then you'll have an idea of Nikolaus Lehnhoff's reference points for *Parsifal*.

Just in case this offends your idea of what *Parsifal* is about, remember that no stage director today has a better Wagnerian pedigree than Lehnhoff. In the UK he may be known for his Janáček at Glyndebourne, but in Germany and the US his name is indelibly associated with *The Ring*. His familiarity with the Wagner canon dates back to the 1960s, when he worked at Bayreuth as assistant to the composer's grandson Wieland.

Sitting at the feet of one of the all-time geniuses of Wagner interpretation, the young Lehnhoff was introduced to more than the mechanics of opera production: he learned not to genuflect before Wagnerian tradition. "Schafft Neues!" (create something new) was the composer's injunction, and Lehnhoff, now in his late 50s but with the energy and enthusiasm of a man two decades younger, is doing his best to obey.

His English National Opera production of *Parsifal*, opening at the London Coliseum on Saturday, is the first staging of this ambivalent piece in the UK since 1986. Over the next two years it will move to San Francisco and Chicago, where recent performance history is even thinner. But anyone expecting Lehnhoff to play down to his audiences will have to think again. He vows that "there will be none of the old clichés – otherwise it turns into another Holy Grail. I want people to say 'we never thought *Parsifal* could be as lively as this'."

Such comments are not calculated to please Wagnerite traditionalists, who see the composer's *Bühnenweihfestspiel* (stage consecration play) as a parable of Christian redemption, to be treated with suitable reverence. For them the religious symbols need little elaboration. Parsifal, the "innocent fool" who gatecrashes the decaying rites of the Grail, is a Christ-like conqueror of evil. Amfortas's wound represents the suffering of mankind. Kundry, seductress-turned-penitent, symbolises corruption and purification. And the veteran Gurnemanz is Wagner's Evangelist.

This is an opera which invites rituals – not just in the way producers treat the communion and baptism scenes, but in terms of audience behaviour. Bayreuth, for example, still observes the unofficial ban on applause after the first act, a practice instituted by Wagner's widow Cosima.

It's thanks to such rituals that Lehnhoff resisted *Parsifal* for so long. He says he used to regard it as "a church service substitute, a sort of St Parsifal's Passion". A sudden deluge of invitations to stage it persuaded him the time had come to re-examine the piece. And he was both surprised and fascinated by what he found.

He sees it as the most topical of Wagner's operas, "because it's about the rootlessness of men and women in the late 20th century. The characters in *Parsifal* could have come out of Beckett – they don't know where they belong, they have no orientation whatsoever. The Temple of the Holy Grail started out as an instrument for the welfare of mankind, but like a lot of societies which operate 'in the name of God', it has lost its sense of mission. Traditions have stagnated, there's no life in them any more. Amfortas's wound is the wound of civilisation. Let's put it in modern terms: what I believe Wagner wanted to say is that if society is only about elbow-power, if compassion and caring for one another are left out, we will arrive at a dead-end."

That's where the character of Parsifal comes in. Lehnhoff refers to him as a sort of futuristic Mother Teresa figure, "an outside agent who takes on the burden and goes through hell to give an example to mankind. In the third act, after what I call this 'Schoenberg prelude' with all its half-tones, he returns to find a Waste Land, where the survivors have to learn to communicate again. At the end you have to show some sort of utopia, a society free of ideologies, rites, cults and elites. The text offers a conclusion, but not the music. This isn't an opera about answers, it's about questions."

Lehnhoff declines to specify how his concept will take shape on stage – understandably so for someone who has never believed in providing his audience with footnotes. Equally, he has never been associated with the ram-it-home school of German opera production. You can't pigeon-hole Lehnhoff. His Frankfurt *Lohengrin*, decked out in imagery of the Weimar Republic, bespoke sharp political antennae. But you could hardly find anything *less* politically contentious than his *Palestrina* two years ago for the Royal Opera.

So what are the hallmarks of Lehnhoff's style? Anyone who saw *Tosca* last year at Amsterdam, or his well-travelled production of Henze's *Der Prinz von Homburg*, will know he demands a strong visual aesthetic, matched to musical sensitivity.

**'The characters in 'Parsifal' could have come out of Beckett – they don't know where they belong'**

He is equally strong on *Personenregie*, an untranslatable German term for drawing intelligent acting performances from singers. Unlike most opera directors, he likes to revive his own productions – a current source of friction with Munich and San Francisco, where his stagings of *The Ring* have been modified without his approval.

He may be a perfectionist, but he is far from dogmatic. Why, then, has he never been invited to direct at Bayreuth? Therein lies a tale of Wagner family politics. After Wieland Wagner's death in 1966, his associates were frozen out of the festival – a reflection, says Lehnhoff, of the inferiority complex of Wieland's younger brother Wolfgang, who assumed sole control and remains in power today.

But if Lehnhoff has been blackballed at Bayreuth, he is turning into a fixture at Glyndebourne. This summer he returns for *The Bartered Bride*, and in 2002 he will stage the festival's first-ever Wagner – *Tristan und Isolde*, conducted by Valery Gergiev. He sees Glyndebourne's intimacy as an incentive to interpret *Tristan* as "a chamber play with large orchestra", with singers who would not normally be engaged for Wagner.

That's a mouth-watering prospect – as are Lehnhoff's forthcoming productions of *Robert le Diable* at the Berlin Staatsoper and *Lulu* in Dusseldorf, with Anja Silja singing her first Geschwitz. Indeed, Lehnhoff is one of the few native sparks on an increasingly stagnant German opera scene. He disputes the suggestion that economic cutbacks lie at the heart of the creeping cultural malaise in Berlin, Frankfurt and other German cities, preferring to interpret the situation as the outcome of power politics.

"If they had the right people in charge, things wouldn't have slumped the way they have. Remember the situation after the war. The best theatre was done without money, because people had to use their imagination. Money spoils, and so does the greed for power. There are too many theatre directors sitting like Fafner on the gold. Like all politicians, they cannot leave it, they don't want to bring in new blood. It's not only Berlin and Bayreuth – look at Salzburg, always the same people. I have stayed out of these things. I've never had an agent, I don't belong to a group and I feel better for it. But it sometimes takes longer to arrive."

**MUSIC IN BOSTON**

# Weir's songs of nature

Judith Weir's *Natural History*, an attractive set of four songs written for soprano Dawn Upshaw, conductor Simon Rattle and the Boston Symphony Orchestra, seemed to hover in mid-air at its premiere in Boston's Symphony Hall.

The texts, extracted from the 4th-century-BC Taoist classic *Chuang-tzu*, tell an ecological parable: it's best to leave the untamed, pre-civilised natural world alone. An argument is crafted through lines like: "Is it the nature of wood to long for the carpenter's plane?" No, the unambiguous response, is backed up musically. Weir keeps the harmony aloft, the textures bright, colourful and spare, and thus creates a gentle, questioning atmosphere. Warmly inviting musical ideas float in, are fanned lovingly by the orchestra and dissipate like so much vapour. Her endings are often like that, too, more an evaporation of sound than a resolution of idea. But a listener should not seek a firm, gravity-bound core within *Natural History*. Its appeal lies in the unfolding.

The four songs – "Horse", "Singer", "Swimmer", "Fish/Bird" – each loosely follows a recitative-aria pattern, and there are occasional bits of tone painting. In the third song we hear pounding waves and musical sputterings as they break across the swimmer's chest. The last song has the open simplicity of an Elizabethan madrigal. And although the score calls for a large orchestra (triple woodwinds, a battery of bright percussion) it didn't sound like it. Weir's deft orchestrations allowed Upshaw to be heard, even though she had the flu.

The Weir followed Oliver Knussen's *Flourish with Fireworks*, a modern tribute to Stravinsky's buoyant *Fireworks*. Knussen made a crack recording of his piece, but Rattle took a broader outlook while managing to bring it in on time, at four fast-moving minutes. Generously, Rattle played it twice.

For Mahler's Fourth Symphony, Rattle tapped the BSO's considerable tonal sheen and vigour. Except for moments of exaggerated tempo and occasional arch phrasing, he kneaded this most classical of Mahler's scores eloquently. In the finale, Upshaw transposed some lines down but still carried her part with a direct sincerity.

**Pierre Ruhe**

INTERNATIONAL

# Arts Guide

## BERLIN

**OPERA**
**Deutsche Oper**
*Tel: 49-30-34384-01*
● Faust: by Gounod. Conducted by Sebastian Lang-Lessing in a staging by John Dew; Feb 12
● Manon: by Massenet. Conducted by Sebastian Lang-Lessing in a staging by Cesare Lievi; Feb 13

## BRUSSELS

**OPERA**
**La Monnaie**
*Tel: 32-2-229 1211*
Lady Macbeth of Mtsensk: conducted by Antonio Pappano in a new staging by Stein Winge, with sets by Benoît Dugardyn and costumes by Jorge Jara; Feb 10, 12

## DALLAS

**OPERA**
**Dallas Opera**
*Tel: 1-214-443 1000*
*www.dallasopera.org*
La Bohème: by Puccini. Conducted by Antonello Allemandi in a staging by Mark Lamos, with sets by Michael Yeargan; Feb 13

## GLASGOW

**OPERA**
**Theatre Royal**
*Tel: 44-141-332 9000*
Scottish Opera: Der Rosenkavalier, by R. Strauss. New staging by David McVicar, conducted by Richard Armstrong. The cast includes Joan Rodgers; Feb 13

## HOUSTON

**THEATRE**
**Houston Grand Opera, Wortham Center**
*Tel: 1-713-227 2787*
*www.hgo.com*
A Little Night Music: by Sondheim. Grant Gershon conducts a production by Michael Leeds, with a cast including Frederica von Stade, Thomas Allen and Sheri Greenawald; Feb 9, 12, 14

## LONDON

**CONCERT**
**Barbican Hall**
*Tel: 44-171-638 8891*
Vienna Symphony Orchestra: conducted by Vladimir Fedoseyev in works by J. Strauss, Mozart and Beethoven, with piano soloist Artur Pizarro; Feb 11

**EXHIBITION**
**Tate Gallery**
*Tel: 44-171-887 8000*
Turner in the Alps: undertaken in 1802, this was Turner's first visit to continental Europe. The exhibition contains 68 works on paper, revealing the artist's initial impressions of the inspiring landscapes he encountered; to Feb 14

**OPERA**
**English National Opera, London Coliseum**
*Tel: 44-171-632 8300*
La Traviata: by Verdi. Michael Lloyd conducts a staging by Jonathan Miller, with a cast including Claire Rutter and Alan Opie; Feb 9, 12

## MANCHESTER

**CONCERT**
**Bridgewater Hall**
*Tel: 44-161-907 9000*
Vienna Symphony Orchestra: conducted by Vladimir Fedoseyev in works by J. Strauss, Mozart and Beethoven, with piano soloist Artur Pizarro; Feb 12

## MOSCOW

**CONCERT**
**Conservatory Great Hall**
*Tel: 7-095-229 9401*
Moscow State Symphony Orchestra: conducted by Gilbert Kaplan in Mahler's 'Resurrection' Symphony No. 2; Feb 9

## MUNICH

**CONCERTS**
**Philharmonie Gasteig**
*Tel: 49-89-5481 8181*
● Klassische Philharmonie Bonn: conducted by Heribert Beissel in works by Mozart and Beethoven, with piano soloist Matthias Kirschnereit; Feb 12
● Munich Radio Orchestra: conducted by Leopold Hager in works by J. Strauss; Feb 14
● St Petersburg Philharmonic Orchestra: conducted by Yuri Temirkanov in works by Prokofiev and Ravel; Feb 11

**EXHIBITION**
**Haus der Kunst**
*Tel: 49-89-211270*
Angelika Kauffman (1741-1807): retrospective of works by the Swiss decorative artist, who was a founder member of London's Royal Academy. Includes paintings, drawings, prints and porcelain; to Apr 18

## NEW YORK

**DANCE**
**New York City Ballet, New York State Theater**
*Tel: 1-212-870 5570*
Celebrating Five Decades of Repertory: continuing the 50th anniversary celebrations; Feb 9, 10, 11, 12, 13, 14

**EXHIBITION**
**Guggenheim Museum**
*Tel: 1-212-423 3500*
*www.guggenheim.org*
Picasso and the War Years 1937-1945: more than 75 works – paintings, sculpture and works on paper – which together explore Picasso's response to the period which began with the Spanish Civil War and ended with the liberation of France. Includes major public and private loans; to May 9

**OPERA**
**Metropolitan Opera, Lincoln Center**
*Tel: 1-212-362 6000*
*www.metopera.org*
Moses and Aron: by Schoenberg. Conducted by James Levine in a staging by Graham Vick, with sets and costumes by Paul Brown. Cast includes Philip Langridge and John Tomlinson; Feb 8, 11

## PARIS

**CONCERTS**
**Salle Pleyel**
*Tel: 33-1-4561 6589*
Orchestre de Paris: conducted by Frans Brüggen in works by Bach, Mozart and Mendelssohn; Feb 10, 11

**Théâtre des Champs Elysées**
*Tel: 33-1-4952 5050*
Orchestre National de France: conducted by Jerzy Semkow in works by Haydn, Mozart, Mendelssohn and Schubert, with clarinet soloist Alessandro Carbonare; Feb 14

**OPERA**
**Théâtre des Champs Elysées**
*Tel: 33-1-4952 5050*
Opéra National de Lyon: Zelmira, by Rossini. Conducted by Maurizio Benini in a staging by Yannis Kokkos. The title role is sung by Mariella Devia; Feb 10, 12

## TOKYO

**CONCERTS**
**Suntory Hall**
*Tel: 81-3-3584 9999*
● English Chamber Orchestra: conducted by Norio Ohga in works by Mozart, with piano soloist Michie Koyama; Feb 11
● English Chamber Orchestra: conducted by Frank Peter Zimmerman in works by Holst, Mozart and Beethoven; Feb 13
● National Symphony Orchestra Washington: conducted by Leonard Slatkin in works by Bernstein, Takemitsu, Copland and Mussorgsky. With clarinet soloist Richard Stoltzman; Feb 8
● National Symphony Orchestra Washington: conducted by Leonard Slatkin in works by John Adams, Tchaikovsky and Dvorák; Feb 9

## VIENNA

**CONCERTS**
**Musikverein**
*Tel: 43-1-5058 6810*
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Ives, Mendelssohn and Prokofiev, with violin soloist Gil Shaham; Feb 8, 9

**EXHIBITION**
**KunstHausWien**
*Tel: 43-1-712 0495*
Jean-Michel Basquiat: Paintings and Works on Paper. 100 works on loan from the Mugrabi Collection make up the first show in Austria devoted to the black-hispanic US artist, who died in 1988 at the age of 27; from Feb 11 to May 2

## ZURICH

**EXHIBITION**
**Kunsthaus Zurich**
*Tel: 41-1-251 6765*
Chagall, Kandinsky, Malevich and the Russian Avant-Garde: exhibition exploring the artistic upheavals of the first two decades of this century. In addition to important loans from the State Hermitage Museum in St Petersburg, the show brings together pictures from 14 provincial Russian museums never seen in the west before perestroika; to Apr 25

## TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

**EUROPEAN CABLE AND SATELLITE BUSINESS TV**

● **CNN International**
Monday to Friday, GMT:
**06.30:** *Moneyline with Lou Dobbs*
**13.30:** *Business Asia*
**19.30:** *World Business Today*
**22.00:** *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

MARTIN WOLF

# Subdued good news

British performance on inflation seems to have improved considerably since the bad days of the 1980s

Economic commentary in the UK is inveterately short-termist. Yet again, debate is focusing on whether the economy will tumble into recession this year. But this question is neither interesting nor important. What is far more interesting and important is how far the economy *needs* a slowdown. The good news here is that the economy may well be able to combine lower unemployment with lower inflation than it has for a generation.

An essential part of this story is told by the chart. This shows two measures of labour market pressure – the rate of unemployment and the number of vacancies – against the government's target measure of inflation – retail prices, less mortgage interest payments.

Labour market pressure is now greater than in the late 1980s, the last period of overheating: the rate of unemployment is lower and the number of vacancies is higher. Back in the 1980s, however, the annual inflation rate rose from 3 per cent in 1986 to 9.5 per cent in 1990. Inflation had also started to rise when unemployment rates were higher and vacancies lower than they are today. This time, however, inflation has remained stable, at between 2 and 3 per cent.

This is good news. It suggests that the reforms of the 1980s and 1990s permit the economy to operate with a greater demand for labour than before. Provided inflation remains subdued, the economic prognosis has to be good, whether or not there is a technical recession this year. The Bank of England's monetary policy committee would be able to cut rates of interest far further. There is also little reason to doubt the response of consumers. They have never failed to spend boldly before. They are unlikely to be timid now.

The important doubt must, instead, be over whether measured inflation flatters to deceive. There are three reasons why the low inflation might be temporary: the strong pound; global deflation; and concealed labour market pressures. Consider each of these in turn.

First, the International Monetary Fund's real exchange rate index, based on relative unit labour costs, showed an appreciation of 30 per cent between early 1996 and late 1997. But, encouragingly, the current account has remained close to balance. Between late 1988 and the middle of 1990, by contrast, deficits ran at over 4 per cent of gross domestic product. Since demand has also been much stronger in the UK than in the euro-zone, this suggests sterling has not been that overvalued.

Second, the weakness of world prices has been an important source of lower inflation. In December 1998, for example, prices of the raw materials and fuel purchased by manufacturing were more than 20 per cent below 1995 levels. A reversal of commodity price weakness would create a temporary inflation blip. But these prices may remain weak for some time.

Third, underlying unit wage costs were already rising at an annual rate of around 3½ per cent last year. This is inconsistent with the government's inflation target over the medium run. The effects were masked by the strong exchange rate and weak commodity prices. Yet even if pay settlements and the increase in earnings were a little high, they were not rising that strongly.

Important qualifications can indeed be made to the good news contained in the chart. They suggest that this year's slowdown was necessary. The Goldman Sachs forecasts contained in the Green Budget from the Institute for Fiscal Studies are for economic growth of 0.4 per cent this year and 2.2 per cent in 2000, after 2.5 per cent in 1998. This would bring the level of activity down from some 1¼ per cent above capacity in 1998 to ¾ per cent below it this year. After the slowdown, growth could then resume at above its trend rate.

Inflation is as low as it now is in part because of the unanticipated effects of the strength of sterling and global deflation. In other words, if the right decisions had been made two years ago, inflation would now be lower than it is. But the evidence suggests that, even without these disinflationary windfalls, inflation would not have been very much higher than it is today – perhaps around 3¼ per cent, instead of 2½ per cent. So performance is indeed better than it was a decade ago. For this reason, the slowdown need be no more than short and shallow. Because it need not be deeper, the Bank also has a fairly free hand to ensure recovery.

In a longer term perspective, the priority is to reduce still further the rate of unemployment at which inflation remains stable. That level is probably somewhat higher than the current unemployment rate (4.6 per cent, in December, on the claimant count measure and 6.2 per cent, in the September-November period, on the standard international definition). It is also higher than in the US. But, with any luck, it should not be more than 2 percentage points higher than it is today.

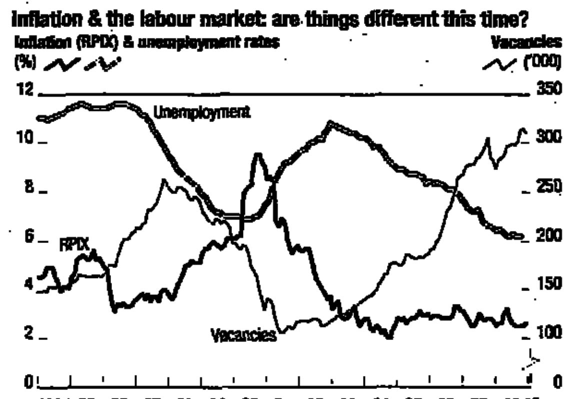
If the goal is to lower the required rate of unemployment still further, the priorities for policy must be to improve the quality of the labour force, increase the incentive to work and – no less important – sustain competitive pressure on the labour market.

The great threat then is not mistakes in monetary policy. These, happily, can be rectified, so long as the country retains monetary control. The threat is, instead, a slow erosion of the reforms of the Conservative era. What must be avoided is replacement of the relatively dynamic labour market New Labour inherited by a continental European-style job market suffused with anti-competitive regulations.

*Martin.Wolf@ft.com*

*Martin Wolf will be writing a fortnightly column on the UK economy, starting today.*

**Inflation & the labour market: are things different this time?**




Source: Datastream/ICV

# LETTERS TO THE EDITOR

## Ceilings for the euro and the yen – a clever, and dangerous, proposal

*From Mr Fred Bergsten.*

Sir, Martin Wolf's proposal ("Off target", February 3) to implement partial currency target zones via unilateral European and Japanese installation of ceilings for the euro and yen, respectively, is both more clever and more dangerous than he may realise.

The reason is that such actions by Europe and Japan, near current market rates as proposed by Mr Wolf, would almost certainly trigger a sharp appreciation of the dollar against both. If markets believed that the new ceilings would be defended effectively, they could make no money via further dollar depreciation and hence would move in the opposite direction.

But this would surely be unacceptable to the US, which is already headed for a current account deficit of $300bn and faces considerable protectionist pressure. International balance calls for a modest decline of the dollar rather than another sharp rise.

Hence Mr Wolf's proposal is exceedingly dangerous because it would set off, and indeed be viewed as seeking, competitive depreciation of the euro and yen. It is also exceedingly clever, if one likes target zones, because it would induce the US to set a ceiling for the dollar and thus complete the zones.

The problem, of course, is that the zones would then be determined by an uncoordinated sequence of nationalistic currency moves, which would be both unlikely to last and reminiscent of the 1930s. The Group of Three leading industrial nations had better address the problems identified so well by Mr Wolf by quickly negotiating a set of mutually acceptable ranges and then defending them effectively.

C. Fred Bergsten,
director,
Institute for International Economics,
11 Dupont Circle, N.W.,
Washington,
DC 20036-1207, US

## More to story of predator turned pussy cat

*From Mr Louis B. Massano,*

Sir, George Soros, the financier and hedge fund wizard, urges that "interposing a wall of money will stabilise the [currency] situation" in Brazil ("Real's slide halted as panic abates", February 2).

Curious, isn't it, that this did not work in 1992, when Mr Soros attacked the vulnerable pound and won the title of "the man who broke the Bank of England".

What is not reported in financial news can be as intriguing as what is. Lately, there has been a dearth of reporting on international currency speculators – not just Mr Soros, but other actors such as the foreign exchange trading desks of the leading international banks.

On October 14 1998 the Financial Times reported, presciently, that "currencies may get a respite from hedge fund attacks". One reason given for the speculators weakness was that "the cost [of taking speculative positions] has just become too high".

One suspects that there is more to the story of the incongruous pussy cat behaviour of these financial predators now that the Real is on the ropes. A case for the Baker Street irregulars – or perhaps the regular crack reporting staff of the FT?

Louis B. Massano,
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NJ 07304-2142, US

## Frivolous headline belies Fraga's integrity

*From Saleh Daher.*

Sir, It is surely frivolous, if not irresponsible, for a publication of your stature to write a tabloid-style headline for such an important news story ("Brazil picks hedge fund poacher as economic gamekeeper", February 3).

During this difficult period for my country, your headline will be used by demagogues to malign a decent individual whose help Brazil needs.

As a Brazilian, I can think of no finer candidate for the presidency of the Central Bank of Brazil in this time of crisis than Arminio Fraga. In addition to being a brilliant and highly competent market professional, he is an individual of impeccable integrity who will put the welfare of Brazil and its people above all other considerations.

Ask anyone who knows him if Mr Fraga can fairly be called a "poacher".

Saleh Daher,
managing director,
Turan Corporation,
160 Federal Street,
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MA 02110-1795,
US

## Small cap: a sector not to be sneered at

*From G.L. Page.*

Sir, Twice in seven days Lex has derided smaller quoted companies: "... institutional investors are *rightly* putting pressure on the glut of smaller companies to merge or go private" ("Bid premiums", January 28); and "Why do housebuilders remain quoted? They are now so small – the entire sector accounts for under 1 per cent of the UK stock market – that they have slipped below fund managers' radar screens" ("Housebuilders", February 3).

These very arguments, and the relative absence of institutions holding more than 3 per cent of such companies, support the claim that it is the private investors who are the main support of the smaller companies.

What hope for wider share ownership when, if added to the mega-mergers, these smaller, generally long-established companies take Lex's advice, and the range of investment choice is steadily eroded? Yet, paradoxically, about 300 companies in the last three or four years have joined the Alternative Investment Market, many having no record of profits or dividends.

Whatever the cause of the destruction of quoted values of the past six months, it has given the private investor (often a pensioner) a great opportunity to increase his income and lock into historic (and potential) yields of 8 to 12 per cent, at a time of record low interest rates, with the added possibility of capital gain, as this week's surge in the smaller cap stocks shows.

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We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to 'fine'), e mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written

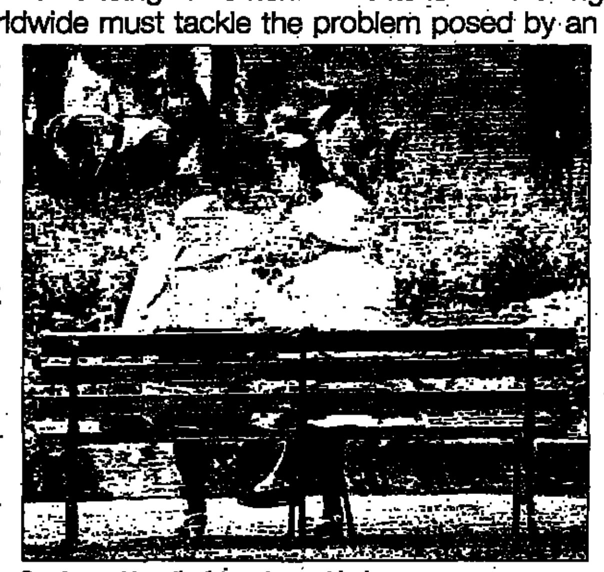
PERSONAL VIEW PAUL HEWITT and BRADLEY D. BELT

# The crisis of age looms

The exploding cost of funding retirement benefits is threatening many economies. Policymakers worldwide must tackle the problem posed by an ageing population

A common thread runs through Brazil's recent financial crisis, Japan's decade-long economic stagnation and President Bill Clinton's cosmetic proposals to strengthen US social security. All could be harbingers of the great "ageing recessions" that threaten to wreck the global economy of the 21st century.

This prospect makes it essential for the US not only to slow the exponential growth of its own benefit expenditures, but to engage Japan and Europe in a vigorous debate on ageing policy reform through a series of global ageing summits.



Pension problem: the future does not look rosy

Flush with the restoration of popular rule in 1988, Brazil's new leaders set out to guarantee retirement security by writing lavish benefit formulas into the country's constitution.

The fledgling democracy soon found itself facing the kind of entitlement crisis usually reserved for much older nations. In just nine years, population ageing and a spate of early retirements boosted social security spending from less than 8 per cent of gross domestic product to more than 12 per cent. Unable to cut benefits, and unwilling to raise taxes, an election-minded Congress responded with massive borrowing. From 1993 to 1997, deficits averaged 6.6 per cent of GDP.

Today Brazil is so indebted that even if its "primary" budget (everything except interest payments) were balanced, its economy would need to grow by 7.2 per cent to prevent the national debt from devouring an even greater share of national income. Obviously, this is not going to happen. Sensing a classic "debt trap", fleeing investors have plunged the nation into recession.

The market jitters of recent weeks reflect the prospect that Brazil will default on its foreign debt, sparking a new round of "contagion" that spreads instability to other economies.

Japan also is deeply in debt. But its problems are even more relevant to the US. Japan is being buffeted by the same demographic pressures that the US will face after 2010.

The percentage of Americans aged 65 and over is projected to rise from 13 per cent today to roughly one-fifth in 2030. Japan is greying much more rapidly. The aged already account for 16 per cent of its population, and are expected to surpass 21 per cent by 2010.

Understandably, the economic climate makes many Japanese anxious about their government's ability to make good on its pension promises. And, in response, they are hoarding savings. The result has been to make the economy increasingly resistant to stimulus through traditional fiscal and monetary remedies.

The US is in a better position to avoid the consequences suffered by Brazil and Japan. But time is running short and it can ill afford to make the same mistakes. Most importantly, it must act now to control the dramatically higher expenditures that will occur when the baby boomers begin to retire in force.

Old age benefits currently absorb 8 per cent of US GDP. However, without reform, they will double as a share of the economy by 2040. Unfortunately, Mr Clinton's social security and Medicare proposals do nothing to alleviate these cost pressures. Instead, he proposes to use the large budget surpluses – most of which would occur after he leaves office – to reduce the national debt. The ostensible purpose of this laudable but improbable plan is to provide future politicians with the room to run large budget deficits after 2030.

**Adverse fiscal trends can continue for years without provoking a full-blown crisis. But at some point a shock triggers a reaction in the markets**

However, there are countervailing forces at work that could undermine this strategy. During the next five decades, working-age populations (aged 20 to 64) in the 15-nation European Union plus Japan are projected to decline by a combined 34 per cent, even as the number of aged swells by nearly two-thirds. The effect of these changes will be to reduce government revenues just when they are needed most. Countries such as Germany – where payroll taxes already top 42 per cent – will find themselves under growing pressure to run deficits.

At the same time, exploding retiree populations in the industrial nations will drive down private savings rates after 2010. The EU and Japan, which have been exporters of private savings, are destined to become importers. Consequently, the role of global creditor increasingly will fall to the developing nations of Asia and Latin America. In some future crunch, the politics of this new dependency could get out of hand.

As we have seen in Brazil, adverse fiscal trends can continue for years without provoking a full-blown crisis. But, at some point a shock triggers a reaction in the markets. In Brazil's case, it was Russia's default. In Germany's, it could be an Italian debt crisis.

Before such a calamity drags other western nations down with it, they should foster awareness of these challenges among policymakers worldwide and build a consensus for timely policy reforms. To this end, we have recommended the establishment of a Commission on Global Ageing. Under this concept, business leaders, government officials, academics, economists, and social policy experts would examine the economic consequences of population ageing and develop concrete recommendations for domestic and international action. Eventually, these issues should be addressed in a series of ageing summits, ideally under the aegis of the Group of Seven leading industrial nations.

The time has passed when policymakers could consider the prospect of any welfare state's collapse merely a matter for its own politicians to sort out. In more ways than one, Brazil's and Japan's problems are very much the world's.

*Paul Hewitt is a research fellow and Bradley D. Belt is vice-president of international finance and economic policy at The Center for Strategic and International Studies in Washington DC.*

**FINANCIAL TIMES**

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Monday February 8 1999

# Jordan after King Hussein

The death of King Hussein of Jordan leaves a void in a divided and unstable region. Diminutive in stature he may have been, but no Arab leader since the towering Gamal Abdel Nasser had so caught the imagination of the Middle East and the world.

Had he done nothing more than survive the last half-century of turmoil in the Middle East, that would have been remarkable enough. But he made a nation out of a piece of resource-poor desert, overrun by lawless Bedouin tribes and populated by successive waves of suspicious and disgruntled Palestinians, fleeing the creation and expansion of Israel. He secured the boundaries of his much-buffeted buffer state against neighbouring predators. And he became pivotal in the dangerous and frustrating effort to forge a peace between Arabs and Israelis.

Although the King's loyal Bedouin army underpinned his rule, his favoured weapon was a mix of charm and paternalism. He was particularly adept at gauging the political winds that bluster through Jordan, from Syria to the north and Saudi Arabia to the south, Israel and the Palestinians to its west and Iraq on its eastern flank.

Will his successor be able to consolidate this inheritance?

Most concern centres on the untested ability to govern of Hussein's eldest son Abdullah, whom the King made heir last month. He shocked Jordanians by pushing aside his brother Hassan, crown prince and royal confidant for 34 years.

The new King, at 37, is twice the age Hussein was when he took the throne. He is firmly rooted in the key institution of the army, as commander of its elite, Bedouin-staffed Special Forces. His marriage to a Palestinian is popular with the two-thirds of his subjects, originally from Palestine.

Despite the recent upheaval, the main danger he faces internally is hostility to the 1994 peace his father signed with Israel. Jordanians expected to cash in a "peace dividend" from this agreement, but it never materialised. The virtual collapse of the peace process since Benjamin Netanyahu came to power in Israel in 1996 and continuing sanctions against Iraq, Jordan's main market, have contributed to great poverty among Jordanians. As a result many have been persuaded that the painful liberalisation of the past decade – supervised by the International Monetary Fund – was a fruitless sacrifice.

The second worry is the neighbours. In the past three years, Jordan has been able to fend off intrigues on its territory by Israel, Iraq and Syria. But many ageing Arab leaders are also ill – President Assad of Syria, Yassir Arafat, the Palestinian leader, and King Fahd of Saudi Arabia among them. And nobody knows how Iraq will emerge from under Saddam Hussein, or indeed whether the new Israeli government to be elected in May will be able to strike a peace deal with the Palestinians.

Jordan therefore needs aid and support from its western and Arab allies. But what it most needs is what the region needs: a just and comprehensive settlement of the Arab-Israeli conflict. King Hussein always argued there would be no stability in the Middle East without justice for the Palestinians. The best tribute to him would be to remember that essential truth.

# BMW shoot-out

BMW's remarkable board meeting reminds us that continental European companies are as capable of surprises as those run in the superficially more volatile Anglo-American style. Perhaps calm decades are purchased at the price of an even bigger explosion eventually.

In BMW's case, the effective mutual vetoes held by the Quandt family shareholdings and the trade unions ensured the departure of both the company's top managers. As the pressure of globalisation mounts on continental European companies we can expect more explosions.

The significance of the BMW row stems not from its immediate cause – the bungled Rover acquisition – but from the bigger strategic uncertainty this highlights. Is BMW big and broad-based enough to survive in the car industry of the 21st century? Or does it need to widen itself to a multi-brand business, basing many differently badged models on a handful of platforms?

The multi-brand approach is the one chosen by BMW's most important German rivals, DaimlerChrysler and Volkswagen. It lay behind Bernd Pischetsrieder's commitment to a full product line at Rover. The alternative strategy, championed by Mr Pischetsrieder's rival, would have reduced Rover to a collection of niche products.

In the Rover case, there are arguments on both sides. But the wider debate about BMW's future is too important to be fought out solely in terms of Rover's product line. BMW's new management must address it directly. Does the company need a multi-brand strategy to survive? If so, Rover is not enough and other mergers must be sought. Or does it prefer to continue as a relatively specialised company? If so, resolving Rover's problems is only one of the strengthening acts needed to prepare for a battle against much bigger rivals.

This strategic dilemma for BMW is mirrored in the choices facing the British government. It appears to have promised subsidies for Rover's new model programme, on the assumption that the company would continue to be a full-line car manufacturer. If, when BMW seeks to cash in that promise, the company asks for more money or offers a more limited future for Rover, the government should have no hesitation in refusing. And, whether or not it stumps up in this case, it should announce an unambiguous shift of policy: no more subsidies for car manufacturing.

# The IRA's call

The compromise at the heart of the Northern Ireland peace process now looms like a rock in the path to progress. The Good Friday agreement was careful not to make the decommissioning of terrorist weapons a pre-condition for political settlement. But it does now require a practical demonstration by the Irish Republican Army that it really intends to forsake violence. Otherwise the chances of establishing the power-sharing administration by March 10, as planned, look slim.

Exactly what that action should be is the subject of intense behind-the-scenes negotiations. Unionists demand a clear commitment to decommissioning, probably with some disposal of arms. They point to the IRA's statement last year that "there will be no decommissioning". They point also to the increase in punishment beatings and shootings. These were running in January at about twice the average level in 1997 and 1998.

Even though Loyalist paramilitaries inflicted about 40 per cent of recent beatings, such horrors revive the question of whether the IRA has taken everyone for a ride. Has it accepted the release of prisoners and the prospect of sharing political power, while maintaining its terrorists in readiness to strike? Such fears, whether justified or not, are grave impediments to peace.

David Trimble, the Ulster Unionist leader, was voted first minister of the new shadow assembly with a very slim majority. Left to himself, he could probably do a deal with Martin McGuinness, Sinn Féin's chief negotiator. Both are deeply identified with the peace process. But both must find new ways round the intransigence of their hardline supporters, if the process is to be held together. Within the IRA, giving up weapons is regarded as a symbol of surrender. This is illogical in the context of the Good Friday agreement, but it is a fact.

In the practical world, what matters is that the IRA should continue its ceasefire. But continued peace depends on maintaining momentum on the political front.

This in turn depends on the IRA's ability to find convincing words to show that it is serious about peace. Then moderate Protestants must be persuaded that a second-best peace with an armed foe is better, for the time being, than a return to violence.

It is not an inspiring prospect, but the alternative is very much worse.

# Under siege

## BMW's UK acquisition has left the luxury carmaker looking vulnerable, says Haig Simonian

When trading opens in the shares of Bayerische Motoren Werke today, the stock is likely to be the focus of immense attention after the extraordinary events of last Friday.

After a marathon supervisory board meeting at the group's high-rise Munich headquarters, the company removed Bernd Pischetsrieder, chairman, and Wolfgang Reitzle, head of markets and products and his de facto deputy. They were replaced by Joachim Milberg, the little-known board member for engineering and production, and three junior executives. The uncharacteristically public sacking shocked observers of Germany's normally consensual business world.

The management changes have left BMW looking vulnerable at a time of consolidation in the world motor industry. They have focused attention on the weaknesses at the group's Rover subsidiary in the UK and flaws in BMW's own product and development strategies.

Any takeover would have to be backed by the Quandt family, which owns about 46 per cent of the shares. In the past 48 hours, the conservative, press-shy Quandts have reiterated their commitment to the company and scotched any takeover talk. But with the motor industry in a frenzy about consolidation following last year's acquisition of Chrysler by Daimler-Benz and the more recent $6.45bn purchase by Ford of Volvo's car operations, BMW's boardroom bust-up could have weakened the group irrevocably.

"It is more of a target now," says Sabine Blümel, motor industry analyst at IMI, an Italian investment bank, in London. "I've never seen anything like this in Germany."

Bob Eaton, co-chairman of DaimlerChrysler, has few doubts. Hours after Friday's ructions, he predicted a "lot of activity" over BMW in the next few days. "By Monday there will be at least three or four companies bidding for BMW," he said, but added that his group would not be among them.


General Motors, Toyota and Fiat could all be interested. GM, the world's biggest carmaker, has just seen arch-rival Ford snap up Volvo cars. Jack Smith, GM's chairman, has said economic turmoil in Asia has offered new acquisition opportunities: with its coffers full and profitability rising, Mr Smith might prefer to turn his gaze to Europe instead.

BMW could also help Hiroshi Okuda, Toyota's boss, achieve his goal of overtaking Ford to become the world's second-biggest car company. In spite of Asia's weak markets, Toyota is rich. The group would almost certainly want to examine a tie-up with BMW.

Fiat, meanwhile, needs to expand into larger, higher margin vehicles to offset the low earnings on its small mainstream models. After being rebuffed in attempts to buy all of Volvo, in favour of Ford's more limited offer, the Italians may see BMW as an attractive alternative.

Even Volkswagen, Europe's biggest car company, could still be interested. Ferdinand Piëch, its combative chairman, started the speculation last summer after saying he believed some of the Quandts wanted to divest and he put forward VW as an ideal partner.

With uncharacteristic reticence, he says in an article today: "I don't want to say anything which might bring more unrest to the situation. Our colleagues in Munich should be allowed to concentrate fully on their work."

That BMW should find itself the focus of so much speculative interest seems extraordinary for a company which, a few years ago, was the envy of its peers. BMW's sporty saloons won plaudits in the motoring press and had become icons for aspiring executives around the world. In marketing terms, too, the company's ability to position its products as "the ultimate driving machine" won praise from far beyond the motor industry.

It was just as BMW was approaching the crest of that wave that Mr Pischetsrieder bought Rover, the ailing UK carmaker which has now become his nemesis.

Backed by Eberhard von Kuenheim, his predecessor as managing board chairman and now head of BMW's supervisory board, Mr Pischetsrieder argued that BMW's opportunities for growth were limited. Only via a complementary carmaker could it expand without compromising its own, highly profitable brand values.

In January 1994, he agreed to pay British Aerospace £800m for 80 per cent of Rover. Somewhat later, BMW paid Honda, Rover's technology partner of the time, £200m for its 20 per cent.

Interestingly, Mr Pischetsrieder's arguments were echoed at Mercedes-Benz, BMW's German rival, at much the same time. There, however, the decision was taken to grow through broadening the product range rather than through acquisition. Although Mercedes-Benz also suffered some upsets, notably with safety concerns about its small A-class model, its choice, in retrospect, was the better one.

For BMW, the attractions of Rover lay primarily in Land Rover, a leading maker of sports utility vehicles. But Mr Pischetsrieder was also drawn by the MG sports car marque and the potential to develop the Mini. His great-uncle, Sir Alex Issigonis, had devised the original Mini.

With the benefit of hindsight, it is easy to see why Rover cost Mr Pischetsrieder his job.

In the past two years, the rise of sterling to about DM3 reversed the gradual recovery BMW had outlined for the company. Rover's sales at home dropped as foreign manufacturers exploited the margins generated by the high pound to buy market share. Even abroad, where Rover sales rose, profitability was squeezed as export margins evaporated.

But the high pound hid a much more fundamental problem in BMW's stewardship of the British group. Whether from an exaggerated concern for British political and cultural sensitivities or sheer inexperience, BMW was bafflingly slow to grasp control of its subsidiary. "We set out targets, but left them to get on with it," recalls one senior manager. "But nothing much happened."

Even today, five years after the takeover, Rover has barely begun the model renewal programme on which its fortunes depend.

Developing new cars takes years, and BMW could hardly have been expected to perform the task overnight. But even elementary measures, such as cutting costs by purchasing parts jointly or co-ordinating media buying, have been implemented very late.

Mr Pischetsrieder's blueprint was for Rover to invest its way out of trouble. After years of underspending under a succession of owners, BMW promised to plough in £500-600m a year to bring Rover's factories and products to its own levels.

Two of Rover's three factories, at Solihull and Cowley near Oxford, were virtually rebuilt, while a new engineering and design centre was created at Gaydon in the Midlands. On the model front, the first fruits were just beginning to appear: the second-generation Land Rover Discovery was launched late last year, while the new Rover 75 saloon is on test and should reach the showrooms in a few months.

Further developments include facelifting the slow-selling Rover 200 and 400 mainstream models. It was their lack of market success which lay at the heart of the group's most recent problems, including the continuing uncertainty over the future of the Longbridge plant in Birmingham where they are built.

A new Mini is due late next year. And pending decisions by BMW's new management in the next fortnight, replacements may also be approved for the 200 and 400. Meanwhile, Land Rover output, buoyed by the new Freelander entry-level model, soared to about 170,000 units last year.

But Rover is only one of the issues facing BMW's new bosses. In recent years, even the parent company has come under greater pressure as rivals have moved upmarket to challenge its territory and diversified into new niches.

BMW's cars seem to be as attractive as ever. Sales reached a record last year, although the group warned profits would not match the DM1.25bn of 1997 because of the problems at Rover. The UK carmaker is expected to lose at least DM1bn ($590m) based on BMW's conservative accounting standards, because of falling sales, restructuring costs and the strong pound.

But BMW no longer dominates the market for sporty executive cars. VW's upmarket Audi brand has used engineering imagination and design flair to develop viable competitors. Even Mercedes-Benz has sloughed off its staid image by diversifying into new models to attract younger buyers.

But it is the Daimler-Benz parent company that has really changed the rules of the game. The creation of DaimlerChrysler has forced every carmaker to reassess assumptions about optimum size and economies of scale. Many executives say further consolidation is inevitable.

The stress on synergies has also cast further doubts over the BMW-Rover link. Many carmakers, led by VW, have rationalised their products in favour of a restricted number of "platforms" – the basic engineering structures of a vehicle – on which different bodies can then be built. The platform for VW's volume-selling Golf hatchback will eventually sprout 12 distinctive variants for the group's four main brands, VW, Audi, Skoda and Seat.

There is no scope for such synergies at BMW and Rover. The two companies' models are based on fundamentally different drive technologies. While BMW prefers rear-wheel drive vehicles, Rovers – apart from Land Rover – are all front-wheel drive. While some components can be shared, the scope for VW-scale synergies is non-existent.

BMW argues the industry's current fad for high-volume platforms is misplaced. According to Mr Pischetsrieder and Mr Reitzle, carmakers can also make money building fewer cars per platform, as long as they are in a market segment where margins are sufficiently high.

Both men also maintained that BMW, which including Rover made almost 1.2m vehicles last year, was big enough to survive industry consolidation. As recently as last month's Detroit motor show, Mr Reitzle maintained: "We have the critical mass in all-important areas of our business."

Similar confidence has been expressed by the Quandts. But with a new driver at the wheel and an industry moving steadily towards concentration, such statements will not be enough to keep the predators at bay.

# OBSERVER

## Unwin clears his desk

Yet another euro-job is up for grabs. After six years as president of the European Investment Bank, Sir Brian Unwin is leaving the helm of the world's largest and most self-effacing international financial institution.

The one-time British civil servant plans to step down in April from a post that carries an income comparable to that of the European Commission president. So EU states now have one more key post to haggle over in a year crowded with important personnel decisions.

Lobbying and jockeying is already under way for more high profile posts. Provided the European Parliament doesn't sack them first, about three-quarters of the present commission including Jacques Santer, its president, are expected to retire at the end of this year. The hunt is also on for the senior person – dubbed Mr or Ms Pesc after the French acronym – to co-ordinate EU foreign and security policy.

Unwin is prepared to extend his stay in Luxembourg a little if a successor hasn't been lined up. But the 63-year-old former chief of the British Customs and Excise service wants to get on with other things. The opera-loving ornithologist has no intention of retiring. He'd like to find a role with a European flavour – but in the private rather than the public sector. And why not, after a lifetime on the other side of the fence?

## Sticky end

Question: what always stays up when markets and economies tumble down? Answer: Old Russian wallpaper – that's according to Finnish paper company Metsä-Serla, which claims home decor is one of the first victims of economic malaise.

The company, one of Europe's largest paper producers, has warned that the economic situation in Russia "will exert a drag on operations, particularly those of the wallpaper base business". Most of its basic wallpaper is sold to UK merchants, who print it with fancy designs or relief patterns before re-exporting it to Russia.

"Wallpaper is something you don't need when you hit hard times," claims Markko Ihamuotila, chief business analyst at Metsä-Serla. "Demand has really come down." Maybe so, but perhaps the Kremlin will place a bumper order – to help paper over the cracks.

## Peace and quiet

The ethnic Albanians and Serbs locked up in Rambouillet for at least a week of peace talks are not the first to be confined to the 15th-century chateau outside Paris. The castle has a long history of eminent guests – and prisoners.

François I died in Rambouillet in the 16th century while being held in one of its towers and Napoleon Bonaparte confined his second wife, Marie-Louise, there while intending to marry a third. His dastardly plan backfired though: she escaped and married a Roman nobleman.

Chris Hill, the US envoy leading the west's mediation efforts, has made it clear he will set a "vigorous pace" with no time, he says, for volleyball or table tennis. The 29 delegates, kept apart on two floors, are not allowed to leave. How times have changed since the 1970s when former French president Giscard d'Estaing staged hunting parties for African dignitaries in nearby forests.

This decade's dignitaries will just have to content themselves with examining relics of a bygone age – Napoleon's copper bathtub and Marie-Antoinette's oak-lined boudoir for example.

## Hostage to fortune

Now here's a bright idea from Peru, "the land of marvels". Plans are afoot to transform a rocky islet close to Lima's port of Callao into a $1bn tourist complex – complete with a rather unusual attraction.

Charmless San Lorenzo's chief claim to fame – apart from a small naval base and heaps of seabird guano – is having served briefly as the prison of Abimael Guzman, founder-leader of the bloody Sendero Luminoso guerrilla movement. After his capture in 1992, Guzman was held there, interrogated and sentenced to life imprisonment.

Now Peru's new cabinet chief and economy minister Victor Joy Way wants to offer tourists a gamut of leisure and sporting activities. But more imaginative promoters reckon the biggest draw could be Guzman himself – clad in his horizontally striped suit and held inside the cage used to transport him from San Lorenzo to his high-security home in Callao. And the entrance fees? They could help repay his debt to society.

## Thai teeth

The key to near-immortality is – keeping your home tidy. That's one of the tips from Thailand's health ministry, which has just released a long and fascinating list of "simple secrets to longevity". Beyond the usual hints like low-fat diets and avoiding narcotics, the Thais have come up with others: maintain a moral lifestyle and keep your clothes clean. Oh, and don't forget cleaning your teeth twice a day.

The "secrets" are based on a 1996 survey of 156 Thais aged 100 or more. If they keep themselves clean they may be alive and kicking well into the next century.

*The Financial Times*

## 100 years ago

**Peace Treaty Ratified**
Washington, 6th Feb. The Senate has ratified the peace treaty with Spain by a majority of three votes beyond the necessary two-thirds, the figures being 57 against 27. A feeling of intense though suppressed excitement prevailed in that part of the Capitol where the Senate holds its sittings. The galleries were thronged before the opening of the sitting. Senator Gorman expressed the view that the battle at Manila was but the beginning. If the treaty were ratified, he said, war would follow, lasting for years and costing many lives and millions and millions of public money.

## 50 years ago

**Prospects in China**
Although the make-up of the new Chinese regime is far from clear, observers are trying to envisage the future. Reports from Hong Kong all point to the complete collapse of the Kuomintang regime. Yet this British Colony is by no means pessimistic over its prospects. It is obvious, of course, that in a backward country like China private enterprise cannot be obliterated without crippling the already feeble foundations of the economy.

FINANCIAL TIMES
MONDAY FEBRUARY 8 1999



THE LEX COLUMN

# Euro party poopers

Europhoria did not last long. Just a day, in fact. Five weeks after its launch, the euro has slid 4 per cent against the dollar. *Not a great birth for what many believed* would be a strong currency.

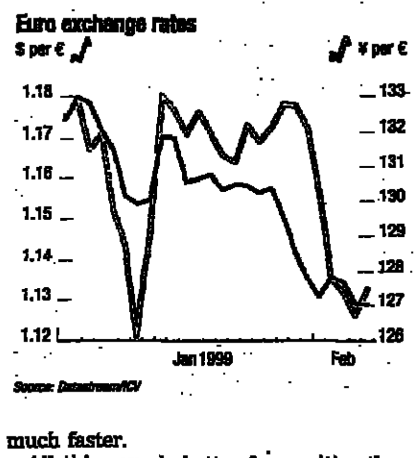
The explanation for the euro's weakness can be summed up in a single word: growth. The US economy is storming ahead, as evidenced both by Friday's non-farm payroll figures and the acceleration of growth in the fourth quarter of 1998. *Meanwhile, hopes that the euro-zone was* about to pick up have been dashed yet again.

All this seemingly reinforces the view that the US miracle is intact while the euro-zone is stuck with intractable structural problems. And that, so the reasoning goes, means returns on investment are likely to be higher in the US. The obvious conclusion is to pile into US assets.

The only problem with this line of reasoning – and it is a big one – is that Wall Street is already massively overvalued. If equities fail to forge ahead further, investors will be less inclined to buy dollars. And then the US's reliance on foreign funds to plug its gaping current account deficit will be exposed. Indeed, the recent burst in economic activity could make the deficit even worse, increasing the force of the whiplash when it comes.

For those who believe Wall Street is *sustainable, it is indeed logical to buy* dollars. But, for others, the euro, warts and all, is a better bet.

Euro exchange rates




Source: Datastream/ICV

much faster.

All this sounds better for equities than it actually is. The flip side of robust economic growth is the diminishing prospect of further interest rate cuts, as well as a weaker bond market. The long bond yield has backed up from 5 per cent to 5.3 per cent since early December.

Historically, the monetary background has been more important than the growth outlook in driving the relative performance of shares and debt. When bond yields are rising, equities tend to underperform, even if earnings are going up at the same time. Add in the fact that after a *one-third rise in five months, the S&P 500* index is trading at nearly 27 times forecast 1999 earnings, and stocks continue to look expensive.

## US earnings

It could have been worse. Now that 75 per cent of US companies have reported 1998 results, it looks as if earnings grew by about 4 per cent last year – hardly sparkling, but not the decline many had forecast during a gloomy autumn. The saviour, of course, has been the seemingly unstoppable domestic economy. After a second year of expansion at 3.9 per cent, *US economists are hurriedly raising their* estimates for the current year from 2 per cent to nearer 3 per cent.

That would seem to underpin Wall Street expectations of a 5-7 per cent increase in earnings this year. Sectors with strong momentum or easy comparisons, such as technology, consumer cyclicals and housebuilders, are tipped to grow much faster.

## Royal Dutch/Shell

It would be easy to see Royal Dutch/Shell's plans to invest billions of dollars in Nigeria as proof that it remains wedded to its grand projects. It fits with its old habit of spending more and more to fix a problem business, instead of being ruthless – especially in demanding better returns on capital employed. But despite *all the political, and ethical, trouble it has* run into in Nigeria, this business is a core one for Shell. The region has huge low-cost reserves of oil and gas, but needs a high level of investment.

Shell's annual share of the Nigerian developments would cost less than a 10th of its much reduced capital spending budget of $11bn. The tantalising goals are to expand off-shore activities – less of a political minefield – and to make a commercial return from the huge quantities of *natural gas now being flared off during* oil production. It is a classic case of potentially high rewards versus high political risks.

Shell investors may groan and point to various disappointing investments justified on the grounds of "long-term commitment". Take chemicals, a division that deserves every *belated swing of the* restructuring axe. But that business is peripheral. If Shell is to demonstrate a new, firm direction, directing its investment towards its most promising oil and gas positions is just as important as weeding out the poor performers.

## Scottish Power

Selling a telecoms business to today's tech-crazed market should be a lot more fun for Scottish Power executives than shuttling between Utah and Oregon, trying to get approval for an electricity takeover. Spinning off Scottish Telecom would make strategic as well as financial sense. Many of the business's 400 biggest corporate customers are Scottish. Future growth lies in England, where Scottish Power does not own a network and so would have to acquire one – at racy multiples – or build one, thereby duplicating *the networks of Energis and others.*

Flotation would allow Scottish Power investors to realise part of the value, while freeing the business to raise funds on its own account. A trade sale – say to Energis or a cable company – with Scottish Power keeping a stake would be even better. Scottish Power should be able to extract a premium from a trade buyer, in exchange for access to the 5m homes that take its electricity, water and gas. True, by selling now Scottish Power gives away potential cross-selling synergies. But it would have struggled to get these on its own, particularly without its own local *telecoms network.*

What of price? A rumoured price tag of £2bn ($3.28bn) seems too high. That would represent eight times the capital invested in the business. Colt may trade on double that, but its network offers far more exciting growth prospects. An equity value of between £1bn and £1½bn looks more appropriate.

# Index of multinationals may be launched this year

By Jane Martinson, Investment Correspondent

The world's first index of multinational businesses could be launched this year, helping international investors to target global companies on a cross-border basis.

Bacon & Woodrow, the consultancy, Barclays Global Investors, the world's largest index-tracking fund manager, and FTSE International *are in talks to create the index,* which would allow investors to invest in global equities as an asset class rather than basing their decisions on a national basis.

The index could be launched by FTSE, part owned by the Financial Times, in the late summer.

*Plans for such an index come after* a series of ground-breaking cross-border deals last year created a breed of multinational firms that dominate their local indices.

Investors see companies such as BP-Amoco and DaimlerChrysler as having much more in common with other global companies than with other UK or German stocks. The plans also go beyond discussion about the trend towards sector investing in Europe encouraged by the introduction of the single currency.

Initial research carried out by BGI/Bacon & Woodrow, to be sent to clients today, has identified more than 200 global companies with more than half their sales derived from overseas markets. There are many more than this but the index would use market capitalisation as a size filter.

The index would differ from all other world indices by identifying companies on the basis of their overseas trading.

The final definition used for the eventual index is still to be agreed. *But if successful such an index could* herald a significant shift in investing behaviour across the world's main markets.

The shift could be particularly significant in the UK. The research found that about 40 per cent of the FTSE All-Share could be classified as multinational companies.

Nick Fitzpatrick, a senior consultant at Bacon & Woodrow, said the merger of BP of the UK and Amoco of the US, which created the UK's largest company, worth about 8 per cent of the UK stock market, had raised serious questions about the basis of asset liability models in the UK.

Most institutional investors hold a far greater proportion of their funds in domestic assets because of the connection to the local economy and the need to match liabilities in the home currency. "Some of these very large companies have very little to do with the local economy," said Mr Fitzpatrick.

The existence of companies like BP-Amoco also made him "increasingly disturbed that we are taking *stock specific risks*". The average UK pension fund invests about 4 per cent of its entire fund in BP-Amoco because of its weighting in the UK market.

In contrast, the average fund invests about 4 per cent in the entire US stock market, which includes Exxon and Mobil, two other large oil groups.

# India to purchase surplus electric power from Pakistan

By Peter Montagnon, Asia Editor, in London

India is to buy surplus electric power from Pakistan in a ground-breaking deal that could significantly improve their relations after decades of hostility and help overcome mistrust aroused by the two countries' nuclear tests last year.

*Under the deal, the National* Thermal Power Corporation, a central government body that can make arrangements to pay in hard currency, will buy MW300 of power – in effect the output of one medium-sized power station – annually over the next 10 years.

The electricity will be distributed through India's grid to states with a shortfall.

Speaking in London Jaswant Singh, India's foreign minister, said India, which suffers from chronic power shortages, had not previously *bought electricity from abroad.* "This will go ahead quite soon," he said.

Mr Singh stressed that Delhi had the political will to proceed.

"An economically prosperous, politically stable, socially at ease Pakistan is good not simply for Pakistan but is good for Indo-Pakistan relations," he said.

"We'll do everything that we can to further that objective."

India and Pakistan came under intense pressure from the US to improve their relationship after both sides tested nuclear weapons in May last year.

Closer ties and efforts to resolve their territorial dispute in Kashmir are an essential aspect of US talks with both countries, designed to result in the relaxation of sanctions imposed after the tests.

The World Bank has encouraged Pakistan to export power because the proliferation of private power producers at a time of sluggish economic growth has given it a surplus.

Bank officials said the risk of further bitter disputes between the *power producers and WAPDA,* Pakistan's state utility, which buys electricity from them, was one of the biggest worries surrounding the latest International Monetary Fund rescue package aimed at restoring the country's international finances. Under the package WAPDA is supposed to cut *its* losses, but *it* cannot easily afford to buy all the power generated by private producers.

Although the Indian sale will not absorb all of Pakistan's surplus, it should make a noticeable dent and boost the private power sector in which the UK's National Power has extensive interests, industry analysts said.

The revenue, tentatively estimated at about $50m a year, will also add to Pakistan's meagre foreign exchange resources. However, analysts warned that the need to finalise technical details, including the installation of a power line across the border in the Punjab state, could delay implementation.

In a further move aimed at improving prickly relations with neighbours, Mr Singh said India was *prepared to buy gas from Bangla*desh, which is developing reserves larger than the North Sea. It was talking separately to Bangladesh about the reopening of a rail link.

CONTENTS



Serbian Orthodox priests travel to Paris to observe talks between Serbs *and ethnic Albanians over the Serbian province of Kosovo. Page 4* AP



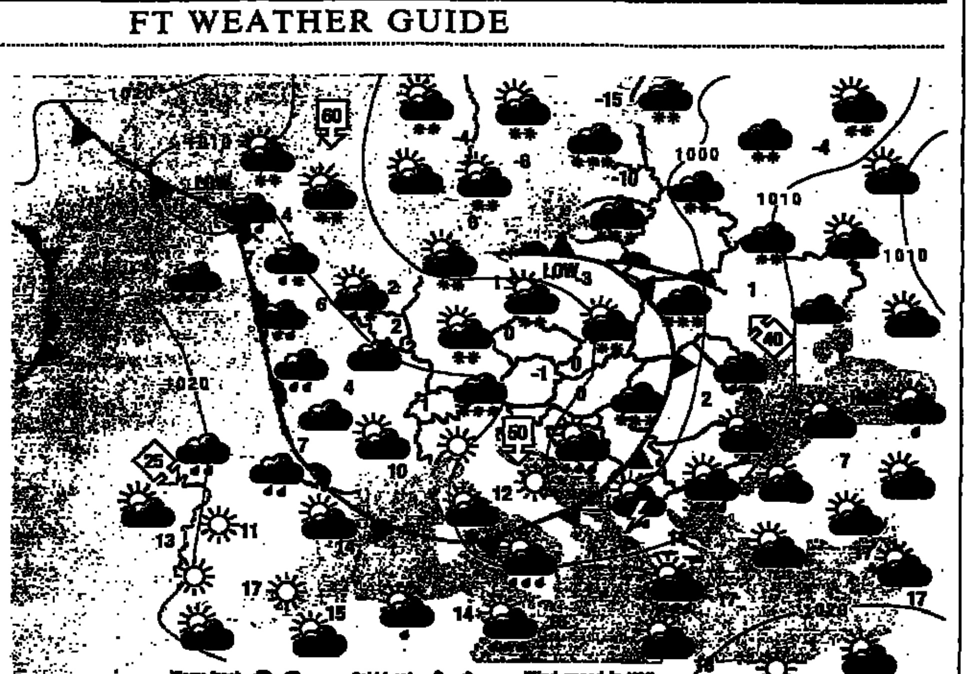
FT WEATHER GUIDE

**Europe today**

Scandinavia will have snow and will stay very cold, with temperatures rising to freezing point in Denmark. The Baltic States will have steadier snow, which will move across eastern and south-eastern Europe. Central and north-western areas will have a cold north-westerly wind that will *bring snow, but rain will move into* western France and northern Spain. The rest of the Iberian peninsula will stay sunny, as will southern France and northern Italy. The eastern Mediterranean will have heavy showers or thunderstorms.

**Five-day forecast**

Scandinavia will stay very cold with snow showers. Eastern and south-eastern Europe will have steadier snow. Central and north-western areas will have snow showers and rain will move into the west and northern Spain later. The rest of the Iberian peninsula will stay sunny but the eastern Mediterranean will have heavy showers or thunderstorms.




*Situation at midday. Temperatures maximum for day. Forecasts by* PA WEATHERCENTRE

TODAY'S TEMPERATURES

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | Sun | 32 |
| Accra | Sun | 32 |
| Algiers | Fair | 15 |
| Amsterdam | Sleet | 2 |
| Athens | Shower | 14 |
| Atlanta | Sun | 21 |
| B. Aires | Fair | 25 |
| B.ham | Cloudy | 5 |
| Bangkok | Fair | 32 |
| Barcelona | Fair | 12 |
| Beijing | Sun | 6 |
| Belfast | Rain | 6 |
| Belgrade | Sleet | 2 |
| Berlin | Snow | 1 |
| Bermuda | Shower | 23 |
| Bogota | Cloudy | 19 |
| Bombay | Sun | 31 |
| Brussels | Snow | 2 |
| Budapest | Snow | 0 |
| C.hagen | Snow | 0 |
| Cairo | Sun | 20 |
| Caracas | Fair | 27 |
| Cardiff | Rain | 7 |
| Casablanca | Fair | 16 |
| Chicago | Fair | 8 |
| Cologne | Snow | 1 |
| Dakar | Sun | 27 |
| Dallas | Sun | 27 |
| Delhi | Sun | 21 |
| Dubai | Sun | 31 |
| Dublin | Rain | 8 |
| Dubrovnik | Rain | 7 |
| Edinburgh | Snow | 4 |
| Faro | Fair | 16 |
| Frankfurt | Snow | 2 |
| Geneva | Snow | 1 |
| Gibraltar | Sun | 17 |
| Glasgow | Sleet | 4 |
| Hamburg | Snow | 2 |
| Helsinki | Snow | -15 |
| Hong Kong | Sun | 22 |
| Honolulu | Fair | 27 |
| Istanbul | Fair | 10 |
| Jakarta | Shower | 30 |
| Jersey | Rain | 7 |
| Johannesburg | Thunder | 27 |
| Karachi | Sun | 26 |
| Kuwait | Fair | 22 |
| L. Angeles | Shower | 17 |
| Las Palmas | Cloudy | 20 |
| Lima | Cloudy | 28 |
| Lisbon | Fair | 13 |
| London | Rain | 6 |
| Lux.bourg | Snow | 2 |
| Lyon | Cloudy | 2 |
| Madeira | Cloudy | 17 |
| Madrid | Fair | 11 |
| Majorca | Fair | 14 |
| Malta | Fair | 16 |
| Manchester | Rain | 5 |
| Manila | Shower | 31 |
| Melbourne | Shower | 24 |
| Mexico City | Fair | 24 |
| Miami | Shower | 27 |
| Milan | Sun | 12 |
| Montreal | Snow | -5 |
| Moscow | Fair | -4 |
| Munich | Snow | 1 |
| Nairobi | Fair | 29 |
| Naples | Shower | 10 |
| Nassau | Fair | 26 |
| New York | Snow | 4 |
| Nice | Sun | 10 |
| Nicosia | Fair | 17 |
| Oslo | Fair | -4 |
| Paris | Shower | 4 |
| Perth | Sun | 35 |
| Prague | Snow | 0 |
| Rangoon | Fair | 34 |
| Reykjavik | Snow | -3 |
| Rio | Fair | 31 |
| Rome | Shower | 12 |
| S. Frsco | Rain | 11 |
| Seoul | Cloudy | 4 |
| Singapore | Shower | 31 |
| Stockholm | Snow | -6 |
| Strasbourg | Snow | 1 |
| Sydney | Shower | 24 |
| Tangier | Fair | 16 |
| Tel Aviv | Fair | 17 |
| Tokyo | Cloudy | 11 |
| Toronto | Fair | 1 |
| Vancouver | Shower | 6 |
| Venice | Sun | 7 |
| Vienna | Snow | -1 |
| Warsaw | Snow | -3 |
| Washington | Shower | 9 |
| Wellington | Sun | 23 |
| Winnipeg | Snow | 2 |
| Zurich | Snow | 0 |



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FINANCIAL TIMES
# COMPANIES & MARKETS
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MONDAY FEBRUARY 8 1999
Week 6

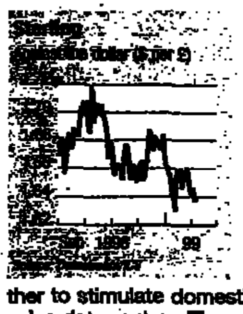


## INSIDE

### Baptism of fire for Bryant

John Bryant could hardly have picked a worse time to take over as chief executive of British Steel. European steel prices are at an all-time *low in real terms*, sterling's strength is costing the group tens of millions of pounds, and severe problems have emerged in Avesta Sheffield, its stainless steel producer. As a result, British Steel is set to lose about £300m ($492m) this half year. **Page 18**

### Currency markets eye Bank data



Currency markets will be watching out for the Bank of England's latest *quarterly inflation* report, published on Wednesday. Some analysts expect it to trim its projections for UK economic growth. The markets will be looking for clues as to whether monetary policy may be eased further to stimulate domestic demand. US retail sales data, out on Thursday, are likely to confirm the strength of the US economy. **Page 26**

### Japanese yields test upper limits

Could 10-year Japanese government bond yields be heading towards 5 per cent? As the Japanese economy deteriorates and the government threatens to flood the market with about Y40,000bn ($647bn) of new bonds, the thought of Japanese bond prices falling even lower and yields rising higher is no longer inconceivable. **Page 21**

### Malaysia eases repatriation curbs

Measures to lift a controversial 12-month ban on foreign investors in Kuala Lumpur repatria*ting the proceeds of share sales appear unlikely* to spur fresh inflows of overseas cash into the market. Investors will be able to take out their funds before September but must pay an exit tax on the principal. **Page 23**

### Europe welcomes low interest rates

European stock markets start the week clear on at least one thing – interest rates across the continent are low and falling. But one feature to emerge in the past few days has been the sharp divergence between the European and US economies, and the threat that the Federal Reserve may have to raise US rates to quell rampant consumer confidence. **Page 27**

### Strong yen weighs on Tokyo

Rising interest rates and the strengthening of the yen will weigh heavily on investor sentiment in Tokyo this week. A jump in long-term rates and the currency's rise against the dollar drove the Nikkei 225 average below 14,000 last week for the first time in more than two weeks amid fears about banks' bond holdings and corporate profitability. **Page 24**

## COMPANIES IN THIS ISSUE



## MARKET STATISTICS



# Fed-Mogul to decide on LucasVarity contest

## TRW awaits new bid from rival in fight for company

**By Michael Peel in London**

TRW, the US specialised engineering group, will learn *this week if its agreed £4bn* ($6.56bn) cash takeover of LucasVarity, the UK car components maker, will be contested by Federal-Mogul, the US braking systems manufacturer.

Federal-Mogul, which made an indicative £3.9bn cash-and-shares bid for LucasVarity before TRW made its move last month, is expected to decide within days whether to make a hostile counter offer.

Its decision is likely to swing on the prospects for LucasVarity's near-term performance.

Federal-Mogul last week had access to LucasVarity internal documents. The UK company warned in December that sales growth for the next 15 months would be constrained by production cutbacks at European car makers and lower after-market demand. But Federal-Mogul is optimistic that it can *at least match the $200m of* gains from synergies that TRW, which makes steering systems and spacecraft equipment, expects by 2001.

Victor Rice, chief executive of LucasVarity, has said a takeover by TRW, which is offering 288p a share, would yield greater synergies than would be available via a deal with Federal-Mogul.

Federal-Mogul, which made its indicative offer at 280p a share, is also believed to be confident about its ability to sell the UK group's aerospace division for a good price. The division accounts for about 16 per cent of LucasVarity's annual sales of £4bn.

Dick Snell, chairman and chief executive of Federal-Mogul, struck an optimistic note about a possible bid during a conference call with investors last Thursday.

One investor in LucasVarity who participated in the call said Mr Snell was at pains to emphasise the strategic sound*ness of the deal*. "He went out of his way to condition his shareholders to an increased offer," said the investor. He added that Mr Snell had ruled out an all-cash bid. Federal-Mogul's indicative offer was half in cash, half in shares.

Federal-Mogul shares dipped 6.3 per cent on Thursday before rallying slightly on Friday. TRW's stock rose 3.5 per cent on Thursday and finished 5.5 per cent higher for the week.

TRW's offer document, released on Saturday, reveals that it initially approached LucasVarity last November to discuss "strategic options". The LucasVarity board decided on January 19 to move forward on the basis of TRW's interest and proposed bid.

Randy Phillips, TRW's vice-president for corporate development, hinted that the company might raise its offer if necessary, saying its bid did not necessarily represent "the full value or the final value".

Victor Rice, LucasVarity chief executive: believes that a takeover by TRW would offer greater synergies Picture: Fergus Wilkie

# Bank will be first in Russia to default on eurobonds

**By Andrew Jack in Moscow**

Uneximbank, one of Russia's most prominent financial groups, will tell its eurobond holders this week that it is defaulting on its debt. The move is the first such default by a Russian company.

The action represents a blow to Vladimir Potanin, the "oligarch" behind Uneximbank. Analysts argue that the decision could trigger defaults by other Russian groups.

After failing to meet a coupon payment on Monday last week, Uneximbank invoked a 14-day grace period with its bondholders during which reimbursement was still possible under the terms of the issue.

However, its advisers subsequently decided that there was no reason why eurobond holders should have any priority over other creditors to the bank.

Eurobonds have acquired a sacrosanct status in the wake of Russia's August financial *crisis* because the government has pledged that its eurobonds would the last of its obligations on which it would default.

Until now, Russian businesses with corporate eurobonds have also steered clear of default. Tatneft, an oil group, came close to a default but arranged a restructuring.

Uneximbank issued $200m in eurobonds in July 1997 and a further $50m in September that year. They come due in *August 2000 and carried* an annual 9.875 per cent coupon, payable in two instalments each year.

The group has an estimated $700m in debts, plus further obligations in forward contracts on which valuations vary from $100m to 500m. Discussions about the precise figures are continuing and a global plan for all creditors is expected to be presented over the next few weeks.

Late last year Uneximbank *shifted its banking assets into* a new entity called Rosbank, which also contains assets from its competitors Most and Mentap banks.

Sidanco, the oil group in which Uneximbank held a controlling interest and in which the UK energy group BP had a 10 per cent minority stake, is also in discussion with its creditors.

# Microsoft set to reveal UK internet link

**By Alan Cane in London and Louise Kehoe in California**

British Telecommunications and Microsoft, the world's largest software group, are expected to announce today that they are collaborating in a venture to provide their customers with wireless access to the internet.

Neither company was prepared to comment yesterday, *but it is understood they were* in talks last night that were expected to lead to a detailed agreement.

Paul Maritz, Microsoft group president for platforms and applications, is expected to announce the venture to a wireless industry conference in New Orleans today.

The scheme would be Microsoft's first move into telecommunications in the UK and a challenge to Symbian, a joint initiative between Motorola of the US, Ericsson of Sweden, Nokia of Finland and Psion of the UK.

*At stake is the leadership of* the nascent market for the delivery of information to subscribers on the move. Analysts expect the market to mushroom as receiving devices – essentially elaborate cellular phones – decline in price and increase in capabilities.

Symbian was formed with the purpose of capturing this market through the development of an operating system based on Psion's hand-held "organiser" products, thus denying Microsoft the opportunity to dominate the market with its Windows CE (compact *edition) operating system for* hand-held computers.

The establishment of Symbian was a setback for Microsoft, which had established a joint venture with a US technology company, Qualcomm, to offer a wireless internet service to cellular phone companies that would in turn offer the service to customers.

A deal between Microsoft and BT would be a test of Microsoft's leadership ambitions in wireless data communications. Steve Ballmer, Microsoft president, said two months ago that wireless data *represented a "logical extension"* of Microsoft's strategy of enabling users always to be connected to their corporate and personal information. BT, which already has a number of business relationships with Microsoft, is investing to take advantage of the "datawave" – the huge growth in demand for data transmission.

It is the major shareholder in Cellnet, the UK's second largest mobile operator, which could provide the nationwide infrastructure for the Microsoft venture. Analysts speculated that the two companies *might be contemplating a joint* application for a UK licence for third generation mobile services, which involve cellular access to the internet.

# Nokia 'wins top spot in mobile phone sector'

**By Alan Cane in London**

Nokia, the Finnish telecommunications group, has become the world's leading supplier of mobile handsets, toppling Motorola from a position it has held since the mobile phone industry began, according to independent research.

Figures from the marketing consultancy Dataquest show that Nokia sold 37.4m handsets in 1998, representing a 22.9 per cent market share and an 81.5 per cent rise in volume sales over the year before. Motorola, the US manufacturer whose *name is virtually synonymous with mobile telephony, sold* 32.3m units, a 19.8 per cent share but only a 27.6 per cent improvement in volume. The figures confirmed claims first made last year by Nokia that it had seized the top spot in the rapidly growing sector.

Ericsson of Sweden filled third place with 23.8m units sold, well ahead of Panasonic of Japan and Alcatel of France.

Nokia's success is a result of the worldwide popularity of digital mobile phones, which accounted for 84.6 per cent of the 163m phones sold worldwide in 1998.

Motorola remains the world leader in the declining analogue handset sector of the market because of sales in the US, where digital telephony has been slow to take off.

Nokia which has concentrated on phones based on GSM, the *de facto* world digital standard, saw its shipments increase dramatically with enthusiasm for mobile phones.

Peter Richardson, Dataquest's mobile communica*tions expert, said Nokia had* concentrated on marketing and customer satisfaction rather than technology and had established the brands as representing quality, style and performance. It had performed well in all its markets, taking more than 35 per cent of the US digital market.

The emergence of Nokia as the world leader in mobile phones follows the disposal of its tyres, cable machinery and colour television divisions and its exclusive concentration on *telecoms. More than 91 per* cent of its sales are now outside Finland. In addition to handsets, it is a leading maker of cellular infrastructure.

Dataquest's analysis shows that, with 32.5 per cent of mobile phone sales, western Europe was the world leader followed by the US with 17.1 per cent and Japan with 16.5 per cent.

PHILIP COGGAN
**GLOBAL INVESTOR**

# Ratings score

Is your effort really necessary? Analysts and investors spend countless hours poring over corporate earnings estimates but the evidence suggests that they are missing the point.

A rise or fall in an equity market has two components – a change in the earnings of the corporate sector and a change *in the multiple that investors* are prepared to pay for such earnings. It is the change in the multiple that seems to *have driven the long bull* market.

In 1981, just before the start of the US bull market, the S&P 500 companies had *implied* earnings of $15.22. In 1998, IBES International, the information company, estimates that S&P earnings were $44.29. In other words, earnings have nearly tripled over the long bull period. Not bad, but that equates to a compound growth rate of just 6.5 per cent.

Had the market kept pace with that earnings growth, investors would have had a decent, but not terrific, time. As it is, the S&P 500 rose more than 900 per cent between the *start of 1982* and the end of 1998 because the price-earnings ratio shot up from 8 to around 28.5, based on *end-1998 earnings. Had the* rating not altered, the S&P 500 index would only be 354.3.

Other markets also show a divergence between earnings growth and market movements. In Japan, hard though it is to believe, Datastream figures show that corporate earnings have fallen over the 17-year period. The doubling in the market over the period is entirely due to an increase in the rating.

In the UK, earnings growth has played a much more important role. The overall market has risen 842 per cent since the start of 1982, which can be roughly broken down into an 80 per cent increase of *the market multiple and a* quintupling of corporate earnings. Finally, in Germany, *there has* been a fairly balanced result, with the market gaining 630 per cent on the back of a doubling in the rating and a *tripling* in corporate earnings.

Wall Street, to nobody's surprise, has offered the greatest capital growth – in local currency terms – over the period. But if the markets had been judged in earnings growth terms, the ranking would have been: the UK, Germany, the US and Japan. That order might surprise both the champions of US industry and the denigrators of the UK corporate sector.

There is no difficulty in explaining the increase in ratings. Bond yields and short term interest rates have tumbled since the early 1980s, reducing the attractions of alternative asset classes and the discount rate that investors apply to future earnings growth.

History should sound a few alarm bells, however. A *similar exercise was* undertaken at the end of 1989 by GMO Woolley, the fund *management firm. GMO found* that the outperformance of the Japanese market over the previous 20 years was almost *entirely due to a re-rating*, rather than to any fundamental earnings outperformance. And we all know what happened to the Japanese market in the 1990s.

One does not have to postulate a repeat of Tokyo's downfall to make the maths look difficult for Wall Street. The S&P 500 index has risen by a compound annual rate of 14.5 per cent over the 1982-98 period, allowing US investors to become accustomed to very handsome annual returns.

Alas, the implication is that, over the next 17 years, if US corporate earnings grow at the same rate, the market multiple will have to treble again (to around 85) for investors to enjoy the same returns. Put another way, if the multiple dropped back to the 1982-98 average of 17 by 2016, the compound annual rise in the *S&P would slow to just 3.5 per* cent. And even that assumes that US corporate earnings, which have been boosted in the 1982-98 period by falling interest rates and commodity prices, can maintain their *growth*.

There is also an economic implication. The latest Barclays Capital Equity-Gilt study focuses on the apparent discrepancy between the very low (on some measures, negative) US savings rate and demographics, which shows a steady rise in the proportion of the population which should be saving. The answer is that US savers feel the high annual growth rate of share prices means they need to put less aside for their retirement; there is a negative correlation between the savings rate and stock market returns.

But the consequence is that, for the US economic bandwagon to keep rolling, it is not enough for Wall Street to maintain its current level: it must keep rising at its previous rate. For as soon as it does not, US citizens will *suddenly have to save more* and spend less – and that could mean recession.

# A jump out of the frying pan and into the blast furnace

**Kevin Brown looks at the task facing John Bryant, the new man at British Steel**

John Bryant could hardly have picked a worse time to take over as chief executive of British Steel.

European steel prices are at an all-time low in real terms, the strength of sterling is costing the group tens of millions of pounds, and severe problems have emerged in Avesta Sheffield, its stainless steel producer.

As a result, British Steel is set to lose about £300m in the current half year, following a pre-tax profit of £104m in the first half. Some analysts think it could lose up to £300m next year.

Giving his first interview since he succeeded Sir Brian Moffat in January, Mr Bryant insists British Steel is pressing ahead with robust cost-cutting to deal with its immediate problems. But he is clearly aware that there is greater interest in his long-term strategy for the group, which was widely regarded as overly cautious under the stewardship of Sir Brian, chief executive and chairman since 1993.

This view may be unfair. Mr Bryant, a career steelman who previously ran British Steel's strip products businesses, resists any suggestion that Sir Brian, now non-executive chairman, was at fault. Indeed, he points out that British Steel failed to acquire the steel interests of Preussag two years ago only because the deal was blocked by Gerhard Schröder, then premier of Lower Saxony, now Germany's chancellor. Nevertheless, many observers think the group's transformation into one of the world's most productive steel producers since its privatisation in 1988 has been marred by a failure to grasp growth opportunities.

If Mr Bryant had any doubts about whether growth matters, they will have been dispelled by British Steel's ejection from the FTSE 100 in September. It was replaced by Colt Telecom, which shares the group's London headquarters.

Mr Bryant's appointment provides an opportunity to rethink the group's long-term strategy. But insiders say he has been quick to take control, in spite of Sir Brian's continued presence along the executive corridor.

Broadly, Mr Bryant's conclusion is that British Steel needs to reduce its dependence on the UK, where it does about 45 per cent of its business, and on the volatile business of making steel products.

"Having come through the first 10 years as a private company, we are in a position now where we really need to be looking to grow as a company, and that may very well be more overseas than in the UK," he says.

That will not necessarily mean retrenching in the UK. The strategy, he says, is about expanding in North America and Europe, and into downstream areas such as distribution, in which the company already has some experience.

Mr Bryant would not say exactly how the group plans to expand, except to confirm that it remains interested in a steel plant in Katowice being privatised by the Polish government.

However, the group is understood to be evaluating an independent steel distributor in the US, for which it may have to pay up to £500m. It owns a technologically advanced mini-mill in Tuscaloosa, Alabama, and 25 per cent of Trico Steel, a US joint venture with LTV and Sumitomo Metal.

Meanwhile, the group is in the middle of a productivity programme that will cut the workforce by about 12,500 over the five years to 2002, and the number of suppliers has been halved, saving more than £50m a year.

British Steel is also restructuring Avesta Sheffield, in which it has a 51 per cent stake. Analysts are forecasting three-figure losses this year, much of which will be accounted for by one-off restructuring costs.

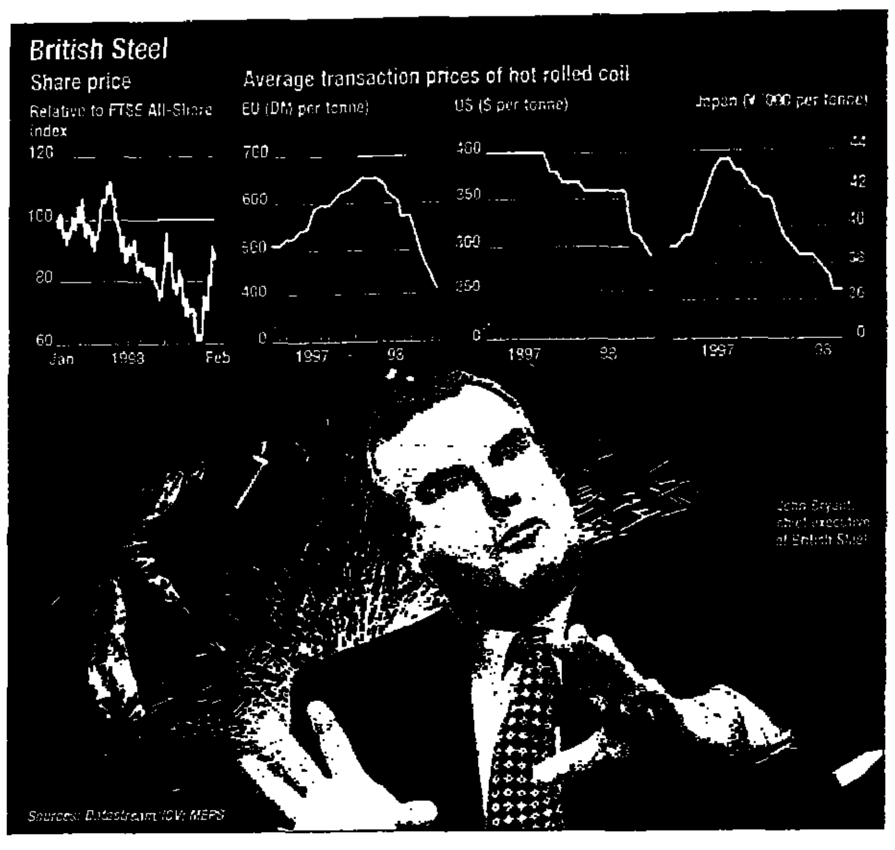
But many of the factors that have an impact on short-term results are out of the company's hands. The strength of sterling has been very damaging, and every one per cent cut in average prices costs it £65m at the pre-tax level.

Mr Bryant clearly thinks the worst may be over. The series of cuts in UK interest rates, which is probably not yet over, should feed through eventually into lower exchange rates. There are also signs that prices may soon rise.

"Prices at the end of the first quarter [of 1999] are likely to be at their low point," he says. "There are certainly signs that stocks have been reduced, there have been announcements in the US in the last week of price increases for April delivery, and in some products in Europe there have been signs that prices are beginning to move up again."

Underlying consumption of steel in the UK and Europe has also held up well, giving some grounds for hope that prices might bounce back fairly robustly as oversupply problems caused by Asian imports recede.

However, Mr Bryant knows that his term in the British Steel hot seat will be judged by his success in achieving sustainable long term growth. "We are sensibly reviewing what we would see as appropriate opportunities, and we are not going to be satisfied with the status quo," he says.




John Bryant: chief executive of British Steel

# Merrill Lynch holds on to research lead

By Clay Harris, Banking Correspondent

Merrill Lynch has narrowly retained its top ranking for research in the view of finance and investor relations directors of the UK's largest publicly quoted companies.

The US investment bank fended off a strong challenge from Warburg Dillon Read, the UBS subsidiary, which repeated its second place in the annual survey by Consensus Research International, the market research consultancy.

WDR kept its top ranking for expertise in corporate finance, with Schroders runner-up again. But Merrill Lynch jumped to third from joint ninth in 1997. On corporate finance expertise related to equity markets, WDR won again, with Merrill Lynch and Cazenove joint second.

In the research table, the gap between Merrill Lynch and WDR and the rest of the field widened from 1997.

Merrill Lynch came top when directors were asked which brokers best understood their company and market, and which had the highest quality analysis and reports. WDR had the best reputation for working relationship.

Acquisitions in the sector had contrasting results. Credit Suisse First Boston improved on the position achieved by BZW Securities, but BT Alex Brown slipped compared with the 1997 ranking achieved by NatWest Markets.

**RESEARCH LEADERS**

| Rank | Securities house | '97 rank |
|---|---|---|
| 1 | Merrill Lynch | 1 |
| 2 | Warburg Dillon Read | 2 |
| 3 | Credit Suisse First Boston | * |
| 4 | Dresdner Kleinwort Benson | 6 |
| 5 | ABN Amro | 8 |
| 6= | HSBC Securities | 5 |
| 6= | Salomon Smith Barney | - |
| 6= | BT Alex Brown | ** |
| 9 | Schroder Securities | 9 |
| 10= | WestLB Panmure | 11= |
| 10= | Charterhouse Tilney | 10 |

*now merged with BZW Securities (1997: 7)
**now merged with NatWest Markets (1997: 4)
Source: Consensus Research International

# Soundings start on rail-link bonds

By Charles Batchelor, Transport Correspondent

Formal market soundings start today to establish the price investors are prepared to pay for up to £2.3bn of government-guaranteed bonds to finance construction of the Channel tunnel rail link.

The bonds will be issued by London & Continental Railways, promoter of the £5.4bn, 68-mile link between the Channel tunnel and central London.

Bankers involved in the issue said the price is expected to provide a yield between the most comparable existing gilt – a £5bn 6 per cent issue maturing in 2028 and trading on a yield of 4.29 per cent – and a £1bn European Investment Bank issue trading at 55 basis points above the gilt.

The issue will comprise £1bn-£1.65bn of bonds maturing in 2028 and up to £650m of bonds maturing in 2038. Plans for a further issue of up to £1bn of bonds maturing in 2010 have been delayed until the issue of the longer-term bonds. The total to be issued is £2.65bn.

Warburg Dillon Read and HSBC Markets, joint managers of the issue, said soundings last week had shown both international and UK interest in the 2028 issue but predominantly UK interest in the 2038 issue. International borrowers were familiar with 30-year issues in their own markets but there was no benchmark stock for the longer-dated issue.

The banks will hold general market soundings today before beginning more detailed pricing discussions with potential investors tomorrow. The bonds will be priced, allocated and launched on Thursday for payment a week later.

The bankers nevertheless believe some investors will see the bonds as a gilt substitute. The bonds have been given AAA ratings by three agencies: Moody's, Standard & Poors and Duff & Phelps.

The bonds will also be available to US investors registered as qualifying institutions under the SEC rule 144a. They will be also be available to small UK investors because they will eligible for inclusion in Pep and Isa plans.

The three co-lead managers of the issue have been named as Salomon Smith Barney, Barclays and Goldman Sachs.

The idea of a guaranteed bond issue emerged last June when the government negotiated a financial package to rescue the rail link. The government guarantee covers £3.75bn of the total cost of the link but only £2.65bn is required for the first stage, due for completion in 2003.

# Ladbroke/Stakis talks near conclusion

By David Blackwell

Ladbroke's £1.1bn takeover talks with rival hotels group Stakis could come to a conclusion today.

Shares in Stakis closed at 141p on Friday, up 38 per cent on the week, after Ladbroke confirmed it was in talks to buy the hotels and casinos group. Stakis said on Thursday that it had received a bid approach worth about 140p a share.

Stakis confirmed yesterday that discussions had continued all weekend and are understood to be at an advanced stage.

If Ladbroke gets a deal, David Michels, Stakis chief executive, is likely to emerge with a top job at the combined group. He ran Hilton UK until he left in 1991 to turn Stakis around from near bankruptcy.

Stakis is a well recognised name in its home base of Scotland, where it has 15 hotels, but is less well known in England. Ladbroke is expected to rebrand the Stakis hotels as Hilton.

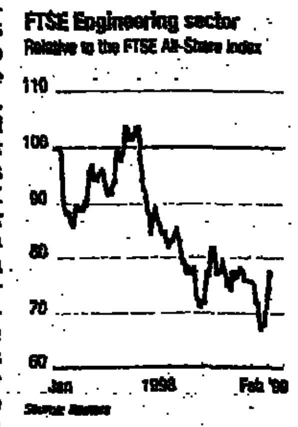
Ladbroke owns the Hilton brand outside the US and operates 24 mid-market Hilton National hotels in the UK as well as 10 five-star hotels and four associated hotels. It also has five London casinos.

Stakis operates 54 hotels in the UK as well as 22 regional casinos. It also has 67 Living Well fitness centres.

## COMMENT

# UK engineers

Bid stories involving UK engineers have become as regular as the sun rising. So far the most common theme has been that a US bidder, boasting more highly rated paper and an expansionist attitude to gearing, has pounced on a neglected UK peer. But with Weir rebuffing Flowserve, of the US, and a couple of UK bidders – such as TT Group – flexing their muscles, the picture is changing. It is certainly about time the UK-based consolidators came out of their shell. They may have been put off by the boos that greeted Siebe in acquiring BTR. But the recent bounce in BTR Siebe shares should lift that cloud. With other companies, such as BBA and Smiths Industries, seeing their ratings improve and interest rates fall, acquisitive ambitions should be encouraged. It may even not be too late for Weir to eat rather than be eaten.




## Executive Recruitment

A good chief executive is hard to find, or so it seems for some large UK companies. Five FTSE 100 constituents with a combined value of £56bn are currently headless, one since August. Seamless managerial succession is no longer the priority it was. One reason is the growing willingness of institutions to oust floundering managers, particularly in fast-consolidating sectors where botched strategies can cost dear. Reed Elsevier's search for a CEO follows a failed merger attempt last year. Barclays parted with its top man after a boardroom rift over strategy. The lesson is that when things are wrong, investors will not wait for designated successors to be groomed. This ruthlessness creates vacancies that picky boards find harder to fill. Their choosiness comes partly from higher corporate governance standards, but also reflects the increasingly demanding nature of the job. Big groups with global strategies are complex to run. One result is that companies are more inclined to look to the US, where managers are felt to have a wider perspective. This can lengthen the hiring process as US managers have to be persuaded to relocate. Overall, investors benefit if companies hire the right managers. But pickiness can be overdone. Glamorous hired guns from the US may be good but do not always stick around: Dick Brown's short sojourn at Cable & Wireless springs to mind.

# LineOne considers scrapping charges

By Paul Taylor

LineOne, the UK-based online information service jointly owned by News International, British Telecommunications and United News & Media, is expected to announce today that it is abandoning its £9.99 ($16) monthly subscription charge.

The move reflects a growing recognition by some UK-based internet service providers that it will be difficult to expand their consumer operations in the face of subscription-free services such as Dixons' Freeserve, which has attracted 1m users since its launch 18 weeks ago.

LineOne, set up two years ago by News International and BT, has 90,000 subscribers but has struggled to find a viable business model. United News was brought in as an equity partner and content provider early last year.

Unlike most other UK-based internet service providers, LineOne has tried to mimic the big US-based online information services like America Online and CompuServe – now an AoL subsidiary – by offering its subscribers UK-based information services and online "chat rooms" as well as internet access.

However, LineOne has a much smaller subscriber base than either AoL or CompuServe and is believed to be a financial drain on its owners. By converting into a free service, LineOne executives hope they can generate revenues from marketing agreements and other sources while expanding their user base.

LineOne is not the only UK-based internet company to face some tough commercial decisions.

The success of Freeserve has also encouraged others, including the Tesco supermarket group and most recently Arsenal, the football club, to launch subscription-free internet services.

**AIRLINES** RUSSIAN CARRIER'S PROFITS ARE EXPECTED TO HAVE HALVED

# Aeroflot launches loyalty programme

By Andrew Jack in Moscow

Aeroflot, Russia's largest airline, is to launch a "frequent flyer" loyalty programme in March as part of an effort to raise passenger numbers and boost the quality of its services to match those of rival foreign carriers.

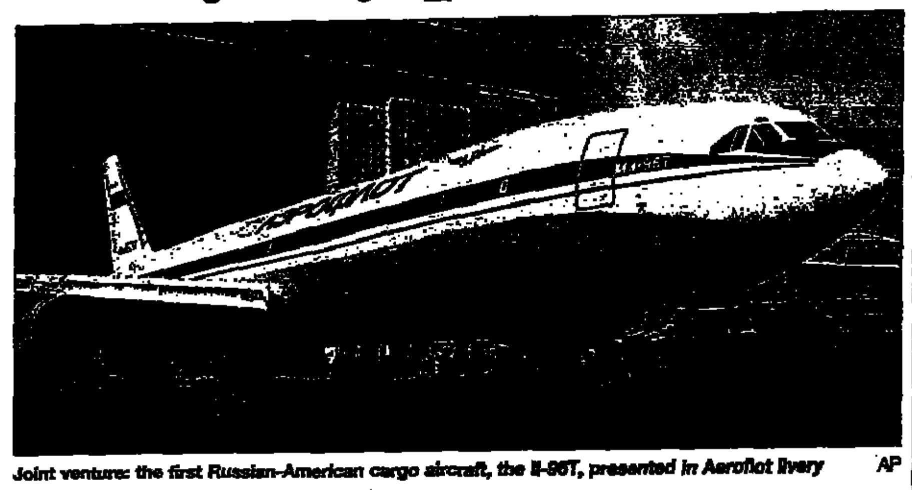
The decision, which was delayed by the financial crisis last August, comes as the group prepares to unveil preliminary results for 1998 today which are expected to show net profit down more than half to $15.3m.

Turnover in the wake of the crisis was stable at $1.46bn, the same as in 1997 but well behind target. The growth in traffic also increased considerably less than expectations over the 12-month period, with passenger numbers rising from 3.9m to 4.5m and volumes from 1.86m to 1.99m tonne-kilometres.

Last week, the board ratified a decision to streamline its top management, cutting down the number of members on its executive committee from 20 to 15 and reducing the level of the most senior executives below the managing director from six to two.

It also suspended the director of the commercial department and his deputy after allegations of wrongdoing identified by internal auditors but which were denied by the two men concerned.

The move was seen by many observers as an attempt to sideline the influence of Boris Berezovksy, the powerful Russian business "oligarch" who was close to the family of President Boris Yeltsin but has become the focus of increasing criticism by the government of prime minister Yevgeny Primakov over the past few weeks.



Joint venture: the first Russian-American cargo aircraft, the Il-96T, presented in Aeroflot livery AP

Aeroflot's expenditure for 1998 was almost unchanged at $1.4bn, while gross profits fell from $47m to $33m. The accounts showed a tax charge of $17.3m, down from $24.2m in the previous period.

The group's board also approved last week a commercial plan for the coming two years. In its forecast for 1999, it predicts a further drop in turnover to $1.4bn, offset by charges down to $1.3bn. That would allow it to return its net profit to 1997 levels at $38.9m.

The Russian state owns 51 per cent of Aeroflot, with the remainder held by employees, individuals and both foreign and domestic institutions. A further partial privatisation has not so far been scheduled by the government during the current year.

# Viag to buy out minorities in strategy change

By Ralph Atkins in Bonn

Viag, the Munich-based conglomerate, is planning to buy out minority shareholdings worth up to DM2bn (€1.02bn, $1.15bn) in some of its main subsidiaries to help boost the benefits of its planned merger with Alusuisse Lonza, the Swiss industrial group.

The decision marks a change of approach by Viag, one of the strongest adherents in Germany to a diversified conglomerate strategy. Previously Viag deliberately sought listings for subsidiaries to increase transparency and provide funds for acquisitions.

Separately, Viag confirmed that plans to sell Klöckner & Co, its steel trading business, had been delayed following the collapse of talks with Thyssen Handelsunion in Düsseldorf. Viag blamed the downturn in the steel business and hinted it would wait for a recovery in the market before again seeking a buyer.

Wilhelm Simson, Viag chairman, said that despite sceptical reaction by financial markets to the Alusuisse merger he remained "convinced that we will be more successful in the long term with a diversified structure".

However, Mr Simson said synergy benefits would be "more readily exploited" by increasing Viag's stakes in partially owned subsidiaries. That could cover Gerrisheimer Glas and Schmalbach-Lubeca, its packaging subsidiaries, as well as SKW Trostberg and Goldschmidt, its chemicals businesses.

His comments sent shares in the subsidiaries sharply higher on Friday. "If they do it at the right price, it could well add value," said Martin Dixon-Ward, analyst at Flemings Securities in London. Mr Simson, chairman of Viag since last July, oversaw the partial flotation of SKW Trostberg when he worked there between 1989 and 1998.

Earlier this year, Viag increased its stake in Goldschmidt from 56.23 per cent to 93.1 per cent. Its priority is now likely to be increasing its 51 per stake in Gerrisheimer Glas to increase synergies with Alusuisse's glass activities in the US.

Viag is in less of a rush to increase its holding in SKW Trostberg, where immediate benefits are less obvious.

Sergio Marchionne, chief executive of Alusuisse, said the aim was to strengthen management across the combined group. Buying out the minority shareholding was "a medium- to long-term objective" which might not be possible in all cases.

Viag and Alusuisse shareholders' meetings are scheduled for late May. The merger is expected to be completed in August.

# Sale of Ionian Bank goes ahead despite concerns

By Kerin Hope

Bidding opens today for a majority stake in Greece's state-owned Ionian Bank amid concern over the artificial inflation last year of its balance sheet by a single transaction involving a Greek mutual fund.

National Mortgage Bank, a subsidiary of state-controlled National Bank of Greece, the country's biggest banking group, deposited Dr550bn ($1.93bn) of its mutual fund customers' money under its own name with Ionian's London branch.

The money was immediately loaned back to NMB under a swap arrangement used by Greek mutual funds to boost returns by exploiting tax differences between interest earnings in drachmas and foreign currency.

The back-to-back transaction accounted for 20 per cent of Ionian's assets and two-thirds of non-retail deposits, and raised Ionian's market share from 6.5 per cent to 8 per cent.

Athens-based analysts said the swap arrangement was "a typical mutual fund deal" although the size was unusually large. NMB's mutual fund would normally be expected to channel foreign currency transactions through its parent group NBG.

Ionian's corporate deposits and lending fell significantly after a six-week strike last spring by employees protesting against its planned privatisation.

A tender offer to sell 51 per cent of Ionian collapsed in August when EFG Eurobank, the only qualified bidder, offered less than 60 per cent of the stock market price. J.P. Morgan was selected as adviser to handle a negotiated sale of 51 per cent of Ionian offered by Commercial Bank, its parent group.

The loan arrangement with NMB, which matured before the end of 1998, was not likely to affect a Greek bank's enthusiasm for acquiring Ionian.

# Finansbanken cautious

By Valeria Sköld in Oslo

Finansbanken, a Norwegian private bank, has cast doubt over a proposed NKr1.6bn ($209m) takeover bid by Storebrand, Norway's leading insurer, by advising shareholders to wait before accepting any offer this week.

The less than wholehearted endorsement comes only weeks after Finansbanken indicated its support for the bid. The board has changed its stance because it believes Storebrand's bid undervalues the company.

The latest development could jeoparidise another Nordic financial merger, some analysts say. Svenska Handelsbanken, Sweden's leading lender, lost a bidding war in December against Den Danske Bank of Denmark's in a proposed NKr5.8bn takeover of Fokus Bank of Norway.

Storebrand has already secured approval of 67 per cent of the shareholders, including their own holdings. They still must secure 23 per cent of Finansbanken shareholders by the bid deadline this Friday to reach the necessary 90 per cent majority for taking over Finansbanken.

But Finansbanken said Storebrand's NKr40 a share bid does not represent the "strategic value" of the shares through a buyout and wants the remaining undecided shareholders to wait until the deadline.

Some analysts had valued Finansbanken at NKr50 a share. However, the market is now expecting Finansbanken shareholders to accept the NKr40 offer as the deadline draws near and Storebrand has a strategic 10 per cent blocking share in Finansbanken.

Storebrand said it felt its current bid is a fair price and has no current plans to make a higher offer.

# Alcatel strengthens links with Motorola

By David Owen in Paris

Alcatel of France and Motorola of the US are extending their co-operation in mobile telecommunications infrastructure with an agreement to work together to develop, market and deliver integrated CDMA digital network infrastructure – a mobile standard used widely in the US – to customers worldwide.

The deal strengthens the French company's ties with one of the leaders of the $40bn-a-year wireless infrastructure market at a time when it has been considerably weakened by adverse reaction to an unexpected September profit warning.

The two companies will also jointly develop a new-generation so-called UMTS mobile communications network. Alcatel said this aspect of the deal would cut costs and reduce the time needed to bring the new technology to market.

"By collaborating with Motorola on UMTS, we have the opportunity to deliver the first systems complying to UMTS standards while ensuring an efficient and cost-effective use of R&D resources," said Jo Cornu, chief operating officer.

An extension of the two companies' collaboration, which began two years ago, had been widely expected by analysts since last year's acquisition by Alcatel of DSC Communications, another US telecoms equipment group which had a strong technology-based relationship with Motorola.

The French company, armed with a strong balance-sheet after big recent capital gains, is expected to continue on the acquisition trail this year in a bid to strengthen its hand in an exceptionally fast-moving sector. It recently served notice it was working on two or three multi-million dollar purchases aimed at strengthening its position in internet-related technologies.

Under the new deal, Motorola is to offer customers Alcatel's S12 switching platform for mobile switching centre-based CDMA networks, while the French group will add Motorola's CDMA radio base stations and base station controllers to its portfolio.

Alcatel said the US group had committed to buying close to $1bn worth of its equipment over four years. It said that by sharing UMTS research and development with Motorola, it would be able to halve the number of engineers on the project and save FFr250m (€38m, $42.8m) a year over three years.

## COMPANIES & FINANCE

### NEWS DIGEST

**TELEVISION**

## CME set to sell MobilRom stake to France Telecom

Central European Media Enterprises (CME), the Bermuda-based investor in east European television stations founded by Ronald Lauder, the billionaire heir to the Estée Lauder cosmetics empire, is today expected to announce the sale of its 9.75 per cent stake in MobilRom, the Romanian mobile telephone operator, to France Telecom. This, together with France Telecom's expected acquisition of a further 10 per cent stake in MobilRom from local shareholders, will lift the French company's stake in the Romanian operator to about 71 per cent.

CME, which is listed on the Nasdaq stock exchange, acquired its stake in MobilRom in 1996 for $11.8m. In a report published last year, France Telecom valued its MobilRom business between $1.1bn and $1.8bn. In 1998, MobilRom was ebitda positive to the tune of $20m. It is understood that CME will not disclose any financial details of the transaction.

The sale follows CME's disposal last December of its stake in the Polish television station, TVN, to its local partner, International Trading and Investment Holdings. CME recorded a write-down of $25m as a result. CME's shares closed at $7 on Friday. **Joe Cook, Bucharest**

**PHARMACEUTICALS**

## Hayfever drug lifts UCB

Strong sales of Zyrtec, the anti-hayfever drug, helped Belgian pharmaceuticals and chemicals group UCB report a 50 per cent increase in pre-tax profits, from BFr6.39bn to BFr9.75bn (€242m, $273m). This is the third year running that profits have risen by more than 30 per cent. Net profits increased 12 per cent to BFr6.45bn, after exceptional losses of BFr600m including restructuring provisions in Spain and the UK, and a provision for legal costs in a US patents case. Georges Jacobs, chairman, said he could not guarantee a fourth successive year of 30 per cent profits growth this year, but forecast at least a double-digit full-year increase.

UCB, which has developed Zyrtec into Europe's leading anti-allergy drug, said it hoped to launch its new epilepsy drug levetiracetam, provisionally brand-named Keppra, next year. It filed applications for regulatory approval in Europe and the US last month. Mr Jacobs said he hoped the new drug would achieve annual sales of BFr6bn-BFr8bn. Zyrtec continued to account for the bulk of pharmaceuticals sales, which increased 13 per cent to BFr30bn, generating a 49 per cent increase in profits to BFr6.6bn. **Neil Buckley, Brussels**

**RAILWAYS**

## Tranz Rail slips

Tranz Rail Holdings, the Australasian railway company, has said difficult trading conditions in New Zealand were responsible for a fall in net profit from NZ$21.5m to NZ$13.1m (US$7.23m) in the six months to December 31. Operating profits for the period were NZ$27.4m. The company, a subsidiary of Wisconsin Central, reported that total revenues were virtually static at NZ$283m. Ed Burkhardt, chairman, said there were signs in the second quarter that the New Zealand economy was bottoming out. Operating profit in this period was NZ$19.8m, helped by rises in ferry and rail passenger revenues and a 1 per cent decline in total freight carried. **Terry Hall, Wellington**

**DIGITAL IMAGING**

## Write-offs hit Scitex

Scitex, the Israel-based graphic arts and digital print maker struggling to retain its leading position in the world market, clawed back into the black during the last quarter of 1998 but ended the year with heavy losses, the company said. Following a restructuring programme aimed at focusing on its core business of digital pre-print and graphic arts operations, net income for the quarter totalled $6.4m, against $5.6m over the same period the previous year. However, for the whole year, the company took a heavy loss of $111m, compared with a loss of $1m in 1997. Losses included a $44m write-off for an acquisition and a $76.5m charge for abandoning the digital video business. **Judy Dempsey, Jerusalem**

**LIFE ASSURANCE**

## Swiss Life in merger talks

Swiss Life, Switzerland's biggest life assurer, is in merger talks with Lloyd-Continental, one of the largest private insurance companies in France. It said joining forces with Lloyd-Continental – which looks set to report premium volumes of about FFr3bn (€457m, $516m) for 1998 – would gain Swiss Life more than 1m new customers in France and make it one of the three leaders in the French health market. **Andrew Bolger**

**CHINA**

## SIPD extends offer period

China's Shandong International Power Development, which elected to push ahead this week with its listing on the Hong Kong stock market in the face of mounting concern about the Chinese economy, is extending its public subscription by an extra day from Friday to today. Goldman Sachs, lead manager for the issue, said yesterday the company had permission from the Hong Kong Stock Exchange to postpone pricing by a day. It refused to comment on reports that SIPD might lower its price to HK$1.17 a share. "We are going to postpone this by a day, but no decision has been made on the price," Goldman said. The shares are priced at between HK$1.38 and HK$1.73 – about 8-10 times its 1998 earnings. SIPD had hoped to raise US$257m-US$295m in the first listing this year of H-shares of mainland enterprises traded on the Hong Kong Market. An investment banker at a rival firm said the price was unrealistic and that many observers expected SIPD to be forced to lower its sights to a price-earnings ratio of roughly 6.6 times 1998 earnings.

SIPD's issue, which has been postponed several times since it was first proposed almost five years ago, went ahead soon after another Chinese company, Heilongjiang Agriculture, pulled its US$219.4m listing late last month. SIPD had the advantage of the backing of the US electricity utility, Southern Company, which is to take a 40 per cent stake. **Rahul Jacob, Hong Kong**



**GOVERNMENT BONDS** AS THE ECONOMY DETERIORATES, THE SPEED OF JGB SWINGS HAS STARTLED MANY OBSERVERS

# Japanese yields test their upper limits

**By Gillian Tett in Tokyo and Arkady Ostrovsky in London**

Could 10-year Japanese government bond yields be heading towards 5 per cent? Six months ago the idea would have seemed outrageous, given that the country was breaking historical records with yields below 0.7 per cent.

But as the state of the Japanese economy deteriorates and the government threatens to flood the market with about Y40,000bn of new bonds, the thought of Japanese bond prices falling even lower and yields rising higher is no longer inconceivable. Last week the yields on 10-year JGB touched a recent high of 2.44 per cent and some analysts are predicting even more dramatic upswings.

Takeshi Fujimaki, branch manager at J.P. Morgan, says: "I think bond yields could go to 3 per cent in March and even 5 per cent by the end of the year."

This view remains an extreme one: the consensus in the market is that yields will probably remain under 3 per cent this year. But Mr Fujimaki's forecast reflects broader anxiety.

According to a report by Barclays Capital, entitled "Japan: Apocalypse Now", the rising level of debt and debt/GDP ratio, means Japan faces an unstable debt situation which could have an adverse impact on the country's credit rating.

Japan's ratio of government debt to gross domestic product has increased from 61.4 per cent in 1990 to almost 100 per cent last year, and according to Barclays' research Japan is fast approaching countries such as Belgium and Italy, whose debt/GDP ratio peaked at 135 per cent.

Yet some economists argue the yields are unlikely to rise much further, provided short-term interest rates remain unchanged. "The extent to which yields could rise depends on how steep the yield curve will become," says David Knott at Deutsche Bank. "Historically, another 50 basis points on 10-year bonds would bring the yield curve to a historically steep level."

He argues that steepening of a yield curve can help banks to recapitalise. This is because banks are able to borrow short-term money at low interest rates and re-invest in longer-term securities at higher rates.

"Typically, when a central bank wishes to inject profits into the banking system, it steepens the yield curve," says Mr Knott. A steeper curve was a factor helping US banks to boost profits in the early 1990s – allowing them to recapitalise.

Kiichi Miyazawa, finance minister, appears very relaxed about bond yields, sparking rumours that the government "secretly" wants to drive yields higher to help banks. Such conspiracy theories probably give the government too much planning credit: in practice, there is precious little sense of policy co-ordination at the moment. And since Japanese companies tend to rely more on short-term funding than their US counterparts, a steeper yield curve would have less impact.

Hiroshi Toda, global head of debt markets at Nomura, blames the steeper yield curve not on government policy but on a structural "mismatch" between public institutions which want to increase long-term borrowing and private investors, such as Japanese banks, that want to focus on short-term investments. "I think that the market is in a transitional period . . . We will see a steepening of the yield curve as investors try to find the new equilibrium," he says.

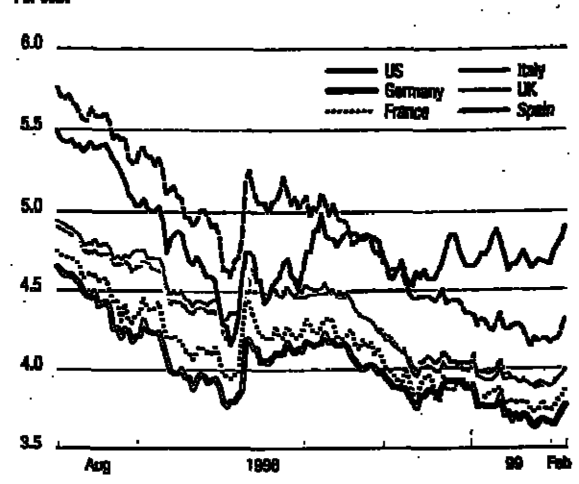
Yet what has startled many observers is the speed of the JGB swings and their apparent lack of relation to economic fundamentals. Consequently, opinions on where the JGB market may be heading next are now based as much on socio-political as on economic analysis.

As Masuhisa Kobayashi, analyst at Merrill Lynch, says: "Japan is now backed into a corner, where textbook economics no longer makes sense."

What has dented investor confidence, however, is political uncertainty. It is still unclear, for example, just what the real level of JGB supply next year will be. The government claims that net new JGB issues will be only Y31,000bn. But this does not include additional spending measures, or the large quantities of local government debt that some municipalities are threatening to issue.

Nor, most importantly, does it include any bonds that might be issued to fund the Y60,000bn banking reform package. And suggestions by politicians that Japan should raise funds to buy land or stocks have further unnerved the markets.

**10-year benchmark bonds**
Per cent




Source: Datastream/ICV

It is also unclear how fast the government wishes to impose reform on its traditional system of public finance. Public institutions such as the Trust Fund Bureau have traditionally absorbed about half the JGB market. If the government presses ahead with its apparent pledges to change this system, it could deliver painful new blows to the market.

Meanwhile, even the government's short-term policy goals appear contradictory. Some politicians have reacted to the recent surge in bond yields with horror, and are calling on the Bank of Japan to start purchasing bonds directly from the government, in effect "monetising" its debt. Masaru Hayami, the bank governor, has dismissed these calls. Yet many economists believe inflation could be the only way to kick-start Japan's flagging economy.

## UPHEAVAL AT BMW

# The fateful day the daggers came out at BMW

*Ousting of chairman Bernd Pischetsrieder reflects acute frictions, write* **Financial Times correspondents**

Last Friday's boardroom bust-up at the German luxury car-maker BMW was a day of corporate blood-letting rarely seen in a country known for its consensual approach to management.

The extraordinary events, which saw the removal of Bernd Pischetsrieder, chairman, and Wolfgang Reitzle, his de facto deputy, revealed how acute frictions in BMW had become.

The drama began as soon as the board meeting began at 10am. After weeks of public humiliation as the German media predicted his imminent demise, Mr Pischetsrieder pre-empted supervisory board members by immediately tendering his resignation.

Mr Pischetsrieder knew that the Quandt family, which controls about 46 per cent of BMW, and its backers on the supervisory board would ask him to step down because of the growing losses at Rover, BMW's UK *subsidiary. The Quandts* have been the key shareholders of BMW since 1959, exerting their discreet control through two *representatives* on the supervisory board.

They backed Mr Pischetsrieder's controversial decision in 1994 to buy Rover, as a means of spreading BMW's reach from its exclusive upmarket niche to the mass market. But the Quandts became increasingly anxious as Rover losses mounted.

A small group of BMW shareholders, including representatives of the Quandt family, met behind closed doors 10 days ago, apparently to discuss the chairman's fate. Although officially denied, it was widely reported that the meeting decided Mr Pischetsrieder must go.

They were not the only supervisory board members hatching plans. At 9:30am on Friday, employees' representatives on the supervisory board met for half an hour to discuss strategy.

The representatives expected *the Quandts and their* backers to recommend Mr Pischetsrieder's replacement by Mr Reitzle, BMW's head of products and markets,

As the employees' representatives gathered, it is believed Manfred Schoch, the supervisory board's deputy chairman and a union official, asked his colleagues to oppose Mr Reitzle.

Immensely able but arrogant, Mr Reitzle was a rigid cost-cutter whose probable preference for closing Rover's Longbridge plant – abandoning its volume cars in favour of the Land-Rover, MG and Mini brands – would have put thousands of UK employees out of work.

In the end, the employees' representatives never had to make their hostility known. The real surprise at Friday's meeting came when Mr Reitzle resigned without being formally offered Mr Pischetsrieder's job.

"There was never a formal petition to make Reitzle Pischetsrieder's successor," says an employees' representative on the supervisory board. Asked whether the employees would have opposed Mr Reitzle had it come to a vote, he said: "I can certainly not rule out *that the employees' representatives* would have been opposed to Mr Reitzle becoming the top man."

Mr Reitzle's astonishing move probably stemmed from a belated realisation he would never be given the top job he so craved. A brilliant engineer, his manner had won him plenty of enemies.

*More important*, not everyone shared his penchant for a slimmed-down Rover. Some of the management board members agreed with Mr Pischetsrieder's original strategy, and argued that "a company like BMW should be capable of putting an operation like Rover in order".

With both Mr Pischetsrieder and Mr Reitzle out of the picture, the Quandts' plans, to be implemented by Eberhard von Kuenheim, the supervisory board chairman, looked in tatters.

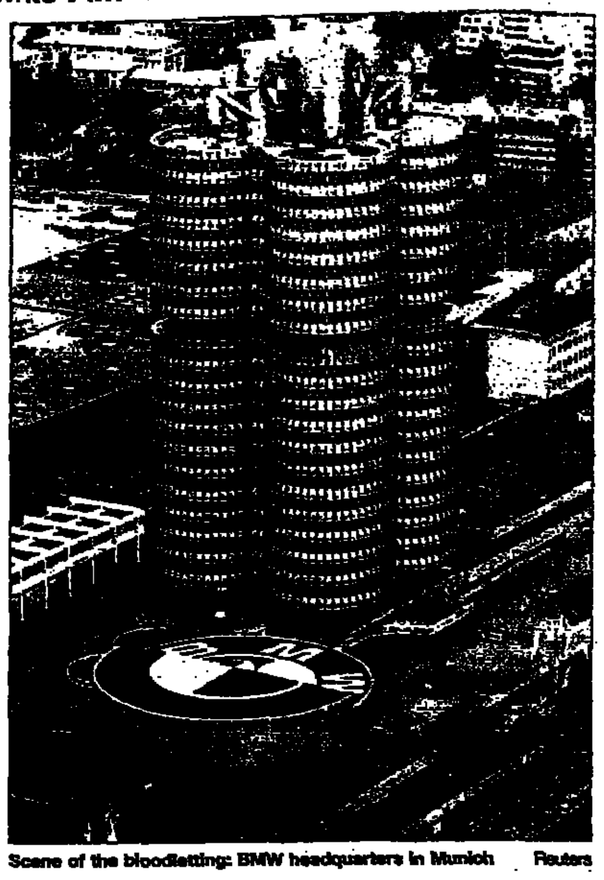
"He was under *immense* pressure to solve the company's internal problems before retiring in May," says one BMW insider.

*Hence the eventual choice* of Joachim Milberg as the new management board chairman. Although only at BMW since 1993, Mr Milberg had won a strong reputation for his production engineering skills, combined with a pragmatic streak. In particular, he won credit for the smooth introduction of the latest generation *3 Series* saloon, BMW's biggest selling model. "No other BMW product launch had gone so well," said the insider.

Mr Milberg seemed an acceptable compromise after a marathon meeting. Although employees' representatives did not know his plans, they "fully stood behind him," said the employees' representative.

*Anxious UK employees* and government ministers worried about the fate of Rover's politically sensitive Longbridge plant in Birmingham, will have to wait. Mr Milberg is expected to offer his ideas for the future in about a fortnight.

*Reported by Uta Harnischfeger in Frankfurt, Quentin Peel in Munich and Haig Simonian in London*



Scene of the bloodletting: BMW headquarters in Munich Reuters

# VW repeats truck interest

**By Uta Harnischfeger in Frankfurt**

The chairman of Germany's largest car-maker, Volkswagen, reiterated at the weekend that VW was interested in buying a truck-maker but it might take a while as prices were too high.

"Currently everyone is doing well and that is why they [truck-makers] are too expensive for us," Ferdinand Piëch told Der Spiegel.

He added that VW could wait until the next crisis hit the industry and prices again started falling. Apart from in Brazil, VW produces only lightweight trucks.

Mr Piëch's comments come as the battle for control of Scania, the Swedish heavy-truck manufacturer, is heating up. On Thursday, VW first hinted that it was interested in developing a presence in the medium- and heavy-truck business.

VW is understood to have contacted Investor, Scania's main shareholder. Talks between Volvo and Investor are said to be continuing, but the two sides have failed to agree on a valuation for Scania. Last month, Volvo acquired 13 per cent of Scania.

Mr Piëch also said VW would have been interested in buying Volvo's truck division, and possibly even all of Volvo, if the price had been right. Two weeks ago, Volvo agreed to sell its car division to Ford.

## CROSS BORDER M&A DEALS

| BIDDER/INVESTOR | TARGET | SECTOR | VALUE | COMMENT |
|---|---|---|---|---|
| Axa (France) | GRE (UK) | Insurance | $5.4bn | Recommended |
| Imetal (France) | English China Clays (UK) | Minerals | $1.25bn | Increase accepted |
| Cendant (US) | RAC (UK) | Motoring srvcs | $743m | Bid breaks down |
| National Grid (UK) | Eastern Utilities (US) | Power | $634m | Advance continues |
| Stinnes (Germany) | BTL (Sweden) | Logistics | $423m | Consolidation |
| American Standard (US) | Unit of Blue Circle (UK) | Bathroom prdcts | $417m | Ideal add-on |
| Adecco (Switz) | Delphi (UK) | Business srvcs | $276m | Cash swoop |
| Sage (UK) | Peachtree (US) | Computer srvcs | $145m | Client doubler |
| National Express (UK) | Robinson Bus (US) | Transport | $23m | Follow-up foray |
| BT (UK) | Arrakis (Spain) | Telecom srvcs | $16m | Internet interest |

# Rover models come on stream

**By Haig Simonian, Motor Industry Correspondent**

Bernd Pischetsrieder's removal as BMW chairman came as the new Rover models he had called for were starting to appear.

First in line is the Rover 75 saloon, the first vehicle fully developed under BMW.

Early reports of the retro-styled car have been favourable. Rover hopes to build up to 140,000 units a year at its *Cowley plant*. The 75 may also spawn niche products, such as an estate car and a coupé.

This year will also see facelifts for the mainstream Rover 200 and 400 hatchback and saloon. Although both are relatively recent and attractively styled, neither has performed strongly in the most competitive segment of the market.

The original 200 and 400 were overpriced in the UK. Since then, they have been partly "decontented" and priced more competitively.

In late 2000, Rover should launch the new Mini, to be built at the rate of about 150,000 units a year, recalling the original 1959 vehicle in an upmarket package.

Rover's biggest challenge – and the decision on which the fate of Longbridge, its biggest factory, depends – is whether to replace the 200 and 400 with entirely new cars early next century.

Rover's workers believed *they had won that* commitment after accepting a flexibility deal last December to raise productivity and save £150m ($246m) a year. However, BMW said a final decision on building the new cars at Longbridge depended on state aid.

No aid package has yet been sought, pending completion of a study showing the cars could be built more cheaply in eastern Europe. BMW's new team will probably want to re-assess the overall strategy.

## FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, February 5, 1999. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

| | | £ STG | US $ | EURO € | YEN (X 100) |
|---|---|---|---|---|---|
| Afghanistan | (Afghani) | 7782.88 | 4750.00 | 5361.88 | 4205.40 |
| Albania | (Lek) | 228.227 | 139.960 | 157.988 | 123.850 |
| Algeria | (Dinar) | 101.014 | 61.6500 | 69.5917 | 54.5817 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Greece | (Drachma) | 467.308 | 285.205 | 321.897 | 252.500 |
| Greenland | (Danish Krone) | 10.7928 | 6.5870 | 7.4345 | 5.8318 |
| Grenada | (E Carib $) | 4.4240 | 2.7000 | 3.0474 | 2.3904 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Papua New Guinea | (Kina) | 3.5428 | 2.1622 | 2.4404 | 1.9143 |
| Paraguay | (Guarani) | 4673.82 | 2852.50 | 3219.48 | 2525.45 |
| Peru | (New Sol) | 5.5483 | 3.3860 | 3.8205 | 2.9969 |
| Philippines | (Peso) | 63.2482 | 38.6000 | 43.5660 | 34.1744 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

# Japanese petrol groups to share facilities

By Alexandra Harney in Tokyo

Two of Japan's leading petrol groups yesterday moved one step closer to a strategic alliance by agreeing to share oil storage facilities.

Showa Shell, which is part of the Royal Dutch/Shell group, and Japan Energy said the deal would save them Y7bn ($62m) in distribution costs over the *next four years.*

The move in effect solidifies the consolidation of Japan's oil sector following the realignment in the global petrol industry and the merger of Mitsubishi Oil and Nippon Oil to form the country's largest oil group last year.

*Esso, Mobil* and General Sekiyu, a subsidiary of Exxon, are also expected eventually to link their operations as a result of the global merger between Exxon and Mobil last December.

The link-up will allow both groups to reduce surplus storage capacity. Japan Energy currently operates 32 oil storage stations and Showa Shell *operates 36* depots, including those managed by Japan Oil Network, a subsidiary owned 49 per cent by Showa Shell.

*Most* of the cost savings will come from the closure of 20 to 30 per cent of these depots over the next four years.

Japan Energy is also considering making a capital investment in Japan Oil Network. This, together with an existing agreement to barter oil shipments, would bring Showa Shell and Japan Energy into a "virtual merger" in their upstream operations.

However, Showa Shell said that there were no plans at the moment for a capital tie-up. Showa Shell is nearly twice as large, with a market capitalisation of Y242.69bn compared with Y114.86bn for Japan Energy. Analysts said its daunting debt levels were likely to scare off any foreign buyers.

The link-up, which is the broadest alliance agreed *between two Japanese oil* companies since the Mitsubishi-Nippon Oil merger in October 1998, underlines the sector's new enthusiasm for deeper restructuring reforms.

Oil companies have been slashing costs since last year after the government's deregulatory reforms drove retail prices down and squeezed petrol groups' margins.

Japan Energy announced last month that it would cut its staff by 50 per cent through natural wastage and sell assets to reduce its interest-bearing debt levels. Showa Shell has lowered executive salaries, reduced its payroll, and enhanced bartering practices to save Y60bn since 1998.

It expects to lower expenses an additional Y50bn by 2000 through similar measures.

**EMERGING MARKETS** INVESTORS WILL BE ENCOURAGED TO TAKE LONG-TERM VIEW OF HOLDINGS

# Malaysia eases repatriation curbs

By Sheila McNulty in Kuala Lumpur

Measures to lift a controversial 12-month ban on foreign investors in Kuala Lumpur repatriating *the proceeds* of share sales appear unlikely to spur fresh inflows of overseas cash into the market.

A package of capital controls was imposed last September to prevent destabilising flows of funds out of the country, like that which sent the stock market steeply lower between February and September last year when the benchmark composite index tumbled by around 60 per cent.

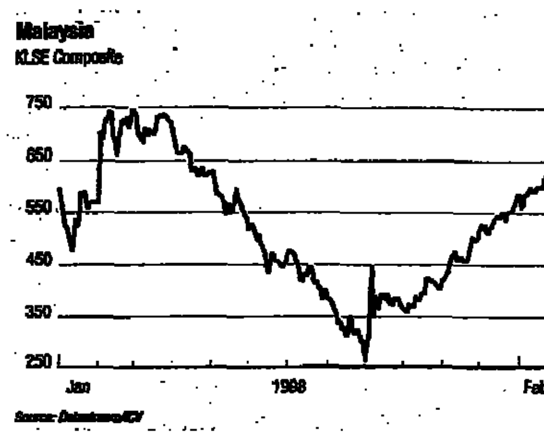
Under the new rules, announced last week, investors will be able to take out their funds before September but must pay an exit tax on the principal. From September, only profits on equity investments will be subject to a repatriation levy.

The authorities have also imposed a new regime for investments made on or after February 15. The principal will not be taxed, but the profit will be if it is withdrawn within a year from when the profit was made.

"These new measures are aimed at encouraging exist*ing portfolio investors to* take a longer-term view of their investments in Malaysia and to attract new funds into the country, while at the same time discourage destabilising short-term flows," said Daim Zainuddin, finance minister, announcing the rules on Thursday.

Analysts said the measures would largely prevent such destabilising flows, but the downside was that it would be a long time before enough money returned to the market to push the benchmark index up to the 1200 levels it touched before the crisis.

Many analysts see it heading down to 550 in coming weeks. "I would be gob-smacked if you spoke to anyone who said they would put new money in," said Hugh Young, managing director of Aberdeen Asset Management Asia. "It's another reason not to go to Malaysia."




Investors would have to make a far greater profit in Malaysia than elsewhere in the region to go home with the same amount of money.

"Malaysia is not a cheap market and we still have concerns about the exchange controls, how the economy is being run – and on the corporate level we are not seeing the moves of tidying-up seen elsewhere in the region," Mr Young said.

On top of those fundamental concerns, investors are turned off by what one called the "us against them" policy of differentiating between locals and foreigners, and the seeming fluidity in Malaysian policy that makes it difficult to know how long even these rules will be in place.

"That uncertainty makes investment decisions much harder," says Song Seng Wun, regional economist at G.K. Goh Research.

Brokers say their clients are primarily concerned with the best time to withdraw from Malaysia.

The general consensus at present is between June and the end of August, *ahead of* what could be a mass exodus after September 1, when some analysts fear the authorities could change the rules once again to limit the outflows.

Analysts estimate there is between $6bn and $18bn of foreign money in the market, and if the bulk of it leaves at once, the economy would come under further pressure.

"Attempts to reflate the economy behind the wall of capital controls have failed to get the economy moving," says Kate O'Donoghue, regional economist at Barclays Capital in Singapore.

"The government's decision to impose the exit levy, as an alternative to the previous 12-month holding period, is a function of the failure of the capital controls to achieve their desired ends."

# Hughes increases stake in DirecTV of Japan

By Michiyo Nakamoto in Tokyo and Christopher Parkes in Los Angeles

Hughes Electronics has sharpened its attack on the fast-growing satellite television market by increasing its stake in Japan's DirecTV and replacing the company's Japanese president with a US executive.

Hughes, the world's leading satellite maker, has also re-arranged the management at its Californian base, elevating Eddy Hartenstein, the head of its US direct-to-home TV service, to corporate senior vice-president.

*DirecTV has recently* gained a commanding lead in the US, and on completion of the recent acquisitions of USSB and Primestar expects to have up to 9m subscribers. DirecTV has recently been adding 1m US viewers a year and has come to represent a direct challenge to the nation's largest cable operator, Time Warner, which has 12.6m subscribers.

In Japan, Hughes said it had raised its holding in DirecTV from 31 per cent to 40 per cent, making it the largest single shareholder, ahead of Culture Convenience Club, a leading video rental company, which has reduced its stake from 31 per cent to 14 per cent.

Matsushita, the consumer electronics maker, which formerly held 9 per cent, now owns 11 per cent, while Mit*subishi Corporation, the* trading company, and IBM Japan, have kept their shares below 10 per cent.

The arrangements are likely to end speculation that DirecTV might have to merge with SkyPerfecTV, Japan's other multi-channel satellite broadcasting company, due to slower-than-expected growth.

DirecTV, which says it is aiming for 1m subscribers in Japan "as soon as possible" has signed up just 240,700 since it began services at the end of 1997. SkyPerfecTV, which was first to start operations, has more than 750,000 customers.

Demand for multi-channel satellite TV services in Japan has developed more slowly than expected, partly because of the economic slowdown.

*However, the broadcasters* will face growing competition with the start of more satellite services next year and the launch of terrestrial digital broadcasting in 2003.

# Price recovery lifts Samsung

By John Burton in Seoul

South Korea's Samsung Electronics on Friday reported a 153 per cent jump in 1998 net profits to Won313.2bn ($267.7m), from Won123.5bn a year ago, due to a rebound in memory chip prices and strong sales of telecommunications equipment.

Analysts predict earnings this year could more than double for Samsung, the world's largest producer of dynamic random access memory (D-ram) chips, as the memory chip industry recovers from a three-year *depression during which* prices collapsed by 80 per cent.

Sales were ahead 8.7 per cent to Won20,080bn, from *Won18,470bn in 1997,* reflecting the disposal of some businesses as Samsung restructured to reduce its debt/equity ratio to 198 per cent from 295 per cent in 1997.

Prices of memory chips, which account for 35 per cent of Samsung's turnover, recovered in the second half of 1998, with the price of the mainstay 64-megabit D-ram rising from $7 to $10 because of increased global demand.

Samsung benefited from foreign exchange gains from exports since the Korean currency was weaker against the US dollar in 1998 from a year earlier.

While memory chips and *telecommunications have* been Samsung's most profitable businesses, it said that several weak divisions had improved earnings last year. *Consumer electronics, made* "sizeable" profits.

# Sumitomo Life agrees Y165bn borrowing deal

By Naoko Nakamae and Gillian Tett in Tokyo

Sumitomo Life, Japan's third largest life assurer, is to boost its financial strength by borrowing Y165bn ($1.46bn) from other companies within the Sumitomo *keiretsu*, or business group.

Yasuda Mutual, the seventh largest life assurance company, said it was also considering borrowing about Y130bn from other members of the Fuyo *keiretsu*, which is led by Fuji Bank.

The moves highlight the mounting pressure to restructure in the Y190,000bn life assurance sector, which has been badly hurt by recent slumps in the Japanese stock and property markets, falling long-term *interest rates and the appre*ciation of the yen.

The Nikkei 225 on Friday closed at 13,898.08, down from 16,527.17 at the end of the 1997 fiscal year. The industry is also seeing premium income fall as policy cancellations rise and demand for new contracts falls.

Sumitomo Life which is raising its capital to about Y900bn through perpetual subordinated loans, said: "We think this will strengthen our ability to fight successfully through this Big Bang era of intensified competition." Yasuda is also likely to use subordinated loans.

And in further signs of *rising* pressures within the sector, many weaker life assurers have been linking up with foreign partners. Toho *Mutual has concluded a deal* with GE Capital, the US financial company, and Daihyaku is negotiating a deal with Manulife.

Industry insiders also claim that Chiyoda Life is using Goldman Sachs to advise on restructuring, including a possible link with foreign partners.

The group is thought to have already held preliminary talks with groups such as AIG, the American group, and Axa, the French life assurance company.

Chiyoda vehemently denied it was considering a comprehensive tie-up at all.

"These rumours have been circulating for months. We have absolutely no intention of entering the sort of alliances that Toho and Daihyaku are negotiating. We are not aiming to get an injec*tion of capital through a* tie-up."

# MARKETS WEEK

February 8 - February 14

## NEW YORK

By John Authers

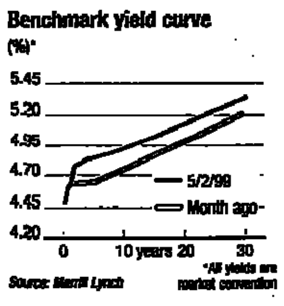
Nerves gripped the Wall Street securities markets last week. Despite the decision by the Federal Reserve's open market committee not to alter monetary policy, bonds had a bad week, with the yield on the benchmark 30-year Treasury bond rising from 5.08 to 5.35 per cent during the week.

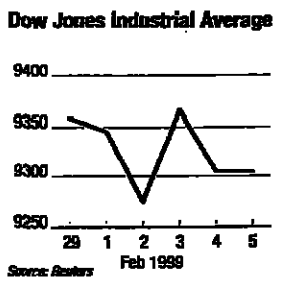
In October last year, when corporate bond markets were almost inactive, the long-bond yield had been as low as 4.76 per cent. There is speculation that funds are beginning to flow away from Treasury bonds, and into other debt markets.

In the equities market, there were signs of a reassessment of large technology companies, with sharp falls for the large companies, such as Intel and Cisco Systems, which stand to benefit from increased use of the internet.

The Nasdaq Composite index, which includes most of the largest technology companies, slipped from 2505.89 (a record) to 2373.6 during the week, although this still leaves it comfortably up for the year so far.

There will be little new corporate or economic data this week, and the market seems likely to continue in this jittery fashion.




## LONDON

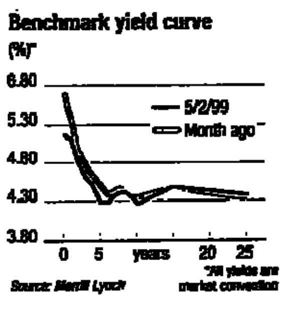
By Philip Coggan

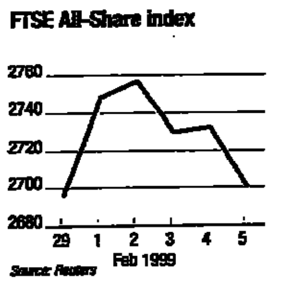
After last week's surprise half-point cut in interest rates, analysts will be keen to see the Bank of England's quarterly inflation report, due on Wednesday, in the hopes of further insight into the thinking of the monetary policy committee.

By definition, the report should say that inflation is on line to hit the target at prevailing interest rates (otherwise, the Bank should have done something else last week). But at least the market may get an idea of the kind of data which the Bank is using to steer policy.

Two sets of data which should back up the Bank's decision are due today; manufacturing output, expected to be down on the month and the year, and producer prices, which are still expected to be virtually flat at the factory gate. The British Retail consortium survey, released tomorrow, will give an early indication of the strength of the January high street sales.

On the corporate front, takeover activity continues to provide a level of support to the equity market, particularly among the mid and smallcaps. But profit growth remains a worry, and figures out this week from Reuters, Medeva, Shell and Lloyds TSB will be closely scrutinised.



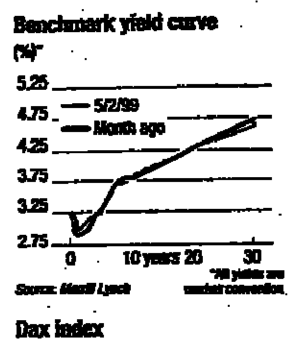

## FRANKFURT

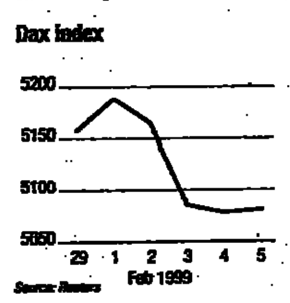
By Uta Harnischfeger

After ending the week up 1 per cent, the weighted DAX index of 30 stocks should enter another week of sideways trading with the potential for large daily fluctuations. Analysts say the market is torn between large inflows of liquidity and not so rosy fundamental data.

Meanwhile, mergers, or speculation of such, have strong potential to kick the market upward. Also, the macroeconomic pessimism, particularly about exports, should help cyclical shares, analysts say. Given Friday's strong US employment data, Wall Street and a possible interest rate change should remain on the minds of many stock market players.

On Monday, all eyes will be on the stock of BMW. Following Friday's boardroom shakeup and the increased likelihood of the German carmaker becoming a takeover target, BMW shares are likely to continue Thursday's strong 6.5 per cent rise. Also on Monday is a supervisory board meeting at Commerzbank, and drugs maker Schering and Metallgesellschaft will release 1998 earnings. Investors will closely look at Metallgesellschaft since the industrial firm's stock has been strongly under-performing.



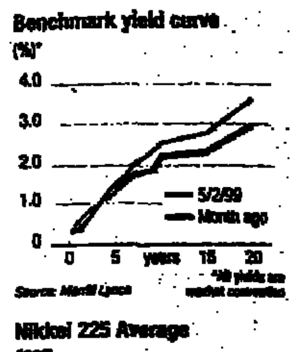

## TOKYO

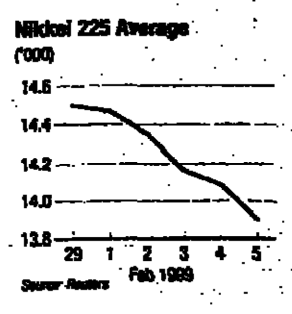
By Alexandra Harney

Rising interest rates and the strengthening of the yen will weigh heavily on investor sentiment in Tokyo this week. A jump in long-term rates, coupled with the currency's rise against the dollar drove the Nikkei 225 average below 14,000 last week for the first time in more than two weeks amid fears about banks' bond holdings and corporate profitability.

The Nikkei closed at 13,898.08 on Friday, down more than 600 points from the previous week's finish. Concern about corporate profitability, particularly in export-intensive sectors, including semiconductors, electronics and cars, will continue to exert downward pressure on share prices this week. The yen strengthened from Y116 to as low as Y111 against the dollar last week, *settling around Y113.*

But the largest issue facing the markets is the politically important bond yields. Investors are watching for clues about a policy shift towards monetarising government debt. Meanwhile, the surge in the benchmark 10-year contract to as high as 2.37 *per cent last Friday* is fuelling concerns about the possible impact on banks' bond holdings and housing loans.




## LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1998/9 High | 1998/9 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | 15.0 | 100 | 95 | AIM VCT | 100 | | - | - | - | - |
| - | F.P. | - | 95½ | 88 | Abbey Nat Dublin | 88 | | - | - | - | - |
| § | F.P. | 35.9 | 123 | 116½ | BFS O'seas Inc | 119½ | | Hv12.55 | - | 10.8 | - |
| § | F.P. | 3.94 | 101½ | 56 | Do Cap | 98½ | | - | - | - | - |
| - | F.P. | 15.0 | 100 | 99 | Close Bros Dev VCT | 100 | | - | - | - | - |
| * | F.P. | 36.9 | 7¼ | 7 | Gander Properties | 7 | | - | - | - | - |
| § | F.P. | 47.2 | 100½ | 94½ | Jupiter Enhanced | 99 | | - | - | - | - |
| § | F.P. | 47.6 | 110 | 103¾ | Do Zero Div Prf | 107¼ | -¼ | - | - | - | - |
| § | F.P. | 15.0 | 100 | 100 | Singer&Frd AIM VCT | 100 | | - | - | - | - |
| - | F.P. | 27.0 | 97½ | 87½ | Yeoman II IT Inc | 97½ | | v9.8 | - | 10.1 | - |
| - | F.P. | 8.01 | 8 | 4½ | Do Cap | 5¼ | | - | - | - | - |
| - | F.P. | 31.1 | 117½ | 102 | Do Zero Div Prf | 116½ | -½ | - | - | - | - |
| - | F.P. | - | 103½ | 96 | Do Equity Units | 103 | +½ | - | - | - | - |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

## RIGHTS OFFERS

| Issue price p | Amount paid up | Latest Renun. date | 1998/99 High | 1998/99 Low | Stock | Closing price p | +or- |
|---|---|---|---|---|---|---|---|
| 40 | Nil | 25/2 | ¾pm | ½pm | Ambient Media | ¼pm | |

pm premium.

## FTSE GOLD MINES INDEX

| | Feb 5 | % chg since 31/12/98 | Mkt Cap $bn | % of Gold Mines | Gross div yld % | Total return | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (29) | 976.74 | 4.5 | 32.33 | 100.00 | 1.96 | 982.90 | 1351.57 | 701.58 |
| ■ Regional Indices | | | | | | | | |
| Africa (9) | 1034.80 | 4.3 | 8.47 | 26.19 | 4.26 | 1049.05 | 1488.04 | 765.63 |
| Australasia (9) | 1208.44 | 3.6 | 4.73 | 14.63 | 2.59 | 1219.92 | 1600.53 | 815.93 |
| Americas (11) | 924.40 | 4.8 | 19.13 | 59.18 | 0.78 | 926.90 | 1317.41 | 647.69 |

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial.

## STOCK INDICES

| | Feb 5 | Feb 4 | Feb 3 | Feb 2 | Feb 1 | 1999 High | 1999 Low | Since comp. High | Since comp. Low |
|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 5855.30 | 5939.90 | 5940.30 | 6013.00 | 6012.40 | 6179.00 | 4648.70 | 6179.00 | 986.90 |
| FTSE 250 | 5211.50 | 5232.60 | 5213.20 | 5215.30 | 5121.80 | 5966.60 | 4251.20 | 5966.60 | 1379.40 |
| FTSE 250 ex IT | 5244.90 | 5264.20 | 5242.70 | 5245.00 | 5136.30 | 6030.00 | 4295.80 | 6030.00 | 1378.30 |
| FTSE 350 | 2792.20 | 2827.90 | 2826.40 | 2855.70 | 2847.40 | 2987.80 | 2233.50 | 3546.40 | 664.50 |
| FTSE SmallCap | 2209.86 | 2201.40 | 2182.47 | 2189.77 | 2154.58 | 2868.09 | 1834.49 | 2868.09 | 1363.79 |
| FTSE SmallCap ex IT | 2177.31 | 2164.51 | 2143.22 | 2130.00 | 2111.69 | 5554.10 | 1815.83 | 5554.10 | 1363.79 |
| FTSE All-Share | 2700.41 | 2732.82 | 2730.31 | 2756.48 | 2747.92 | 2886.17 | 2186.07 | 2886.17 | 61.92 |

| | Feb 5 | Feb 4 | Feb 3 | Feb 2 | Feb 1 | 1999 High | 1999 Low | Since comp. High | Since comp. Low |
|---|---|---|---|---|---|---|---|---|---|
| FTSE Fledgling | 1212.30 | 1209.57 | 1200.53 | 1196.23 | 1194.13 | 1517.11 | 1048.17 | 1517.11 | 31.14 |
| FTSE Eurotop 100 | 2757.44 | 2770.85 | 2768.81 | 2811.24 | 2833.26 | 3086.91 | 2048.91 | 3086.91 | 2044.47 |
| FTSE Eurotop 300 | 1204.42 | 1210.65 | 1209.16 | 1224.70 | 1232.33 | 1327.68 | 893.55 | 1327.68 | 874.06 |
| FT 30 | 3801.00 | 3829.10 | 3819.30 | 3846.80 | 3838.70 | 3884.80 | 2806.80 | 3884.00 | 49.40 |
| FT Govt Securities | 115.86 | 115.78 | 116.23 | 116.53 | 116.78 | 117.17 | 93.31 | 141.84 | 49.18 |
| FT Fixed Interest | 158.11 | 157.99 | 158.37 | 157.86 | 158.20 | 158.45 | 115.32 | 168.45 | 50.53 |
| FTSE Gold Mines | 976.74 | 967.96 | 948.42 | 964.05 | 955.25 | 1381.57 | 701.58 | 2074.61 | 701.58 |



## COMPANIES DIARY

# Price squeeze expected to give food for thought

Six Footsie stocks issue results or trading statements this week. The trading statement from Safeway will be analysed for signs of increasing price competition in UK food retailers. Global influences are likely to figure in the results from British Airways and Shell, while Reuters and BSkyB will give food for thought to those investors with a significant interest in the impact of new technologies.

Net gain: Peter Job, chief executive of Reuters

### TODAY

● The trading statement from Safeway is likely to *keep the food retailing sector* under pressure, following hard on the heels of the statement from J Sainsbury on Friday.

● Canon is expected to report 1998 group pre-tax profit of Y238bn-Y255bn, falling short of the company's forecast of Y260bn ($2.3bn) largely because of the strong yen. In addition, declining demand for office equipment such as printers and copiers – Canon's mainstay products – will have put pressure on 1998 profits and will continue to do so into 1999, analysts said. *AFXAsia, Tokyo*

### TUESDAY

● Third-quarter figures from British Airways are likely to show a sharp fall as the drop in premium passengers feeds through into financial numbers. BT Alex Brown expects the carrier to produce a headline fall in pre-tax profits of 52 per cent to £245m, and an underlying fall of 28 per cent.

● Reuters' shares have been very strong in recent weeks as the "internet frenzy" has spread to the media group. They rose from 419p late last year to 952p but have come off their high in recent days. A consensus of figures from First Call, the estimates service, suggests analysts expect a pre-tax result of about £609m.

### WEDNESDAY

● When BSkyB reports interim figures investor attention may focus on the progress of the Sky Digital launch. The most important number will be that given for the Sky Digital subscribers at the end of last year. The company hoped for 200,000 but may have exceeded this. The more it has surpassed the target the better the shares are expected to perform.BT Alex Brown expects a 26 per cent fall in pre-tax profits to £95m.

● Medeva, the pharmaceuticals group, is expected to report a pre-tax result of £70m-£80m from £111m ($182m) for the year, as old products lose sales on patent expiry but new products await approval.

### THURSDAY

● Shell Transport & Trading has suffered, along with other oil companies, as the oil price has remained at low levels. Net income for the last quarter of last year is expected to have been $855m-$1.13bn, compared with $1.7bn last year.

● Philips, the Dutch electronics group, is expected to report full-year net profit from ordinary operations excluding PolyGram of Fl 2.65bn-Fl 2.70bn compared with Fl 2.70bn (€1.23bn, $1.38bn) in 1997, according to analysts. Philips is expected to use the Fl 11.5bn extraordinary gain from the sale of its 75 per cent stake in PolyGram for "add-on acquisitions", and its planned buyback of more than 8 per cent of its outstanding shares. *AFXNews, Amsterdam*

### FRIDAY

● Lloyds TSB has suffered downgrades to profit forecasts during the past year on concerns over the slowing UK economy, in common with other banks. However, it is seen as having a fairly low-risk profile, which has helped the shares perform well against its peers. The figures from the year to December will be complicated by a series of exceptional elements. First Call said analysts expect a figure of £3.06bn pre-tax, compared with the underlying £2.9bn made last year and headline figure of £3.1bn.

## NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Maturity | Coupon % | Price | Yield % | Launch spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Lehman Brothers Hldgs Inc | 800 | Feb 2006 | 6.625# | 99.814R | 6.695 | +200(Feb06) | Lehman Brothers |
| Discover CMT 99-1, A(a)‡ | 500 | Feb 2002 | 5.30# | 99.29 | 5.560 | +65(6¼Feb02) | Morgan Stanley DW |
| World Bank(b) | 250 | Nov 2005 | 5.00 | 99.433R | 5.097 | - | Barclays Capital |
| Westfalische Hypo | 160 | Feb 2009 | 5.04 | 100.00 | - | - | Deutsche Bank |
| Swedish Export Credit | 100 | Mar 2004 | 5.25 | 100.372R | 5.164 | +54(4¼Nov03) | RBC Bank |
| Ford Motor Company | 1.5bn | Feb 2029 | 6⅜#(s) | 98.817R | 6.465 | +112(Aug28) | Salomon Smith Barney |
| SunAmerica Inst Funding | 850 | Feb 2009 | 5.75 | 99.882R | 5.766 | +98(4¾Nov08) | Merrill Lynch Intl |
| Goldlux 99-1, A2(h)‡ | 400 | Feb 2002 | (h2) | 100.00R | - | - | Goldman/HypoVB |
| Fokus Bank‡ | 380 | Feb 2002 | (j) | 100.024 | - | - | ABN Amro |
| Spiekab Swedmortgage‡ | 300 | Aug 2009 | (k) | 99.988- | - | - | CSFB |
| Kingdom of Denmark(m) | 50 | Jan 2002 | 3.875 | 98.8975 | 4.987 | - | Commerzbank |
| Fannie Mae★ | 4bn | Feb 2004 | 5⅛#(t) | 99.885 | 5.151 | +44½(Nov03) | CSFB/Lehman/Merrill |
| BankAmerica Corp | 1.5bn | Feb 2009 | 5⅞#(l) | 99.319R | 5.966 | +117(Nov08) | Nationsbk Montgomery |
| DSL Bank | 500 | Feb 2009 | 5.50 | 99.324R | 5.590 | +70(4¾Nov08) | Nomura/Salomon SB |
| European Investment Bank | 380 | Mar 2002 | 5.08 | 99.715 | 5.105 | +30(4½Jan01) | Warburg Dillon Read |
| Deutsche Bank Finance | 150 | Feb 2003 | 4.50 | 97.192R | 5.315 | +52(l) | Deutsche Bank |
| United Mexican States(S) | 1bn | Feb 2009 | 10⅜# | 99.79R | 10.41 | -7(UMS-08) | Goldman Sachs |
| Union Bank of Norway‡ | 300 | Feb 2002 | (l) | 100.099 | - | - | Barclays Capital |
| Republic of Argentina(J) | 200 | Jan 2017 | 11¾# | 95.80 | 11.95 | +690(Aug26) | JP Morgan |
| **EUROS(e)** | | | | | | | |
| Axa(c)§ | 1.32bn | Jan 2014 | 2.50(s) | 100.00 | - | - | DLJ/Goldman/Paribas |
| Vesteu NB(d) | 300 | Oct 2008 | 4.00(l) | 99.93R | 4.008 | +45(3½Oct08) | CDC/Dresdner KB |
| Bca Popolare di Bergamo(f)‡ | 280 | Dec 2003 | (f1) | 100.151R | - | - | Warburg Dillon Read |
| HypoVereinsbank(g) | 100 | Feb 2009 | 4.625 | 100.35R | 4.581 | +64(3¾Jan09) | BGL/Genesale/HypoVB |
| Goldlux 99-1, A1(h)‡ | 1.749bn | Feb 2002 | (h1) | 100.00R | - | - | Goldman/HypoVB |
| Goldlux 99-1, B(h)‡ | 58.09 | Feb 2002 | (h3) | 100.00R | - | - | Goldman/HypoVB |
| Commerzbank AG | 1bn | Oct 2009 | 4.25(s) | 99.404R | 4.319 | +62(3¾Jan09) | ABN/Commerzbank/SG |
| Dresdner Finance BV‡ | 1bn | Feb 2004 | (n) | 99.84R | - | - | Dresdner KB |
| Energie AG | 150 | Feb 2009 | 4.00 | 97.81R | 4.274 | +50(0-OATs) | Paribas |
| Council of Europe(o)‡ | £75 | Feb 2019 | (o1) | 98.75R | - | - | Merrill Lynch Intl |
| Alcatel Alsthom | 1bn | Feb 2009 | 4.375 | 99.883R | 4.390 | +66(3¾Jan09) | BNP/Deutsche Bank |
| Aries Funding Corp II(w)‡ | 150 | Feb 2003 | (w1) | 100.00 | - | - | IBJ International |
| Inter-American Dev Bank(x)‡ | 100 | Mar 2014 | (x1) | 99.75r | - | - | Mediobanca/Salomon |
| European Inv'ment Bank(y) | 100 | Mar 2006 | 7.00 | 101.875 | - | - | ASLK-CGER |
| BAT Intl Finance plc | 1.7bn | Feb 2009 | 4.875 | 98.808R | 5.058 | +125(Jan09) | Dresdner KB |
| Endesa(S) | 500 | Feb 2009 | 4.20 | 99.68R | 4.240 | +28(Jul09) | Arg/BBV/Caja Mdrd/CAI |
| ING Bank NV | 500 | Feb 2009 | 4.625 | 99.53R | 4.685 | +83(3¾Jan09) | ING Barings-BBL |
| Republic of Argentina(B) | 350 | Feb 2008 | (B1) | 98.48R | 10.40 | +655(Jan08) | Morgan Stanley DW |
| GMAC(C) | 250 | Feb 2006 | 4.00 | 98.933R | 4.179 | +52(6%Jan06) | Deutsche/Merrill Lynch |
| Havas Advertising(C)§ | 230 | Jan 2004 | 1.00 | 100.00 | - | - | SG |
| Abbey Natl Trsy Servs‡ | 60 | Mar 2019 | (D) | 99.75r | - | - | Lehman Brothers |
| EBRD(E) | 60 | Feb 2014 | (E1) | 99.625R | - | - | Caribo/Chase/Iccrea |
| Argenta Nederland | 50 | Feb 2006 | 4.25 | 100.80 | - | - | BCEE |
| Bilbao Vizcaya Intl(K) | 500 | undated | 5.76(s) | 100.00 | - | - | Salomon Smith Barney |
| KWW(L) | 488.7 | Aug 2010 | 4.75 | 105.92R | 4.092 | +31(3¾Jan09) | CAVDG Bank/RZB |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| NSW Treasury Corp(l)★ | 125 | Feb 2002 | 4.55# | 99.96 | - | - | Nomura International |
| UBS Australia | 100 | Feb 2002 | 5.00 | 99.725R | 5.101 | - | RBC/Warburg |
| UBS Australia | 100 | Feb 2004 | 5.00 | 99.58R | 5.331 | - | RBC/Warburg |

| Borrower | Amount m. | Maturity | Coupon % | Price | Yield % | Launch spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **STERLING** | | | | | | | |
| Carlton Communications | 250 | Feb 2009 | 5.625 | 99.242R | 5.727 | +150(Dec09) | Barclays/Warburg |
| Skipton Building Society‡ | 125 | Feb 2002 | (i) | 99.862R | - | - | Barclays Capital |
| Helaba Intl Finance(z) | 75 | Feb 2002 | 5.00 | 99.68R | 5.118 | +58(7%-02) | Greenwich NatWest |
| Telewest Comms(F)§ | 300 | Feb 2007 | 5.25# | 100.00 | - | - | Dresdner KB |
| Care Homes No 2, Class A(M) | 180 | Feb 2023 | 5.75# | 99.793R | 5.788 | +135(8%-21) | Merrill/JP Morgan |
| Care Homes No 2, Class M(M) | 60 | Feb 2023 | 6.65# | 99.810R | 6.666 | +225(8%-21) | Merrill/JP Morgan |
| Care Homes No 2, Class B(M) | 25 | Feb 2023 | 7.65# | 99.826R | 7.666 | +325(8%-21) | Merrill/JP Morgan |
| **YEN** | | | | | | | |
| Sumitomo Metal Inds★ | 10bn | Feb 2019 | 3.00# | 80.00 | - | - | Nomura International |
| **SWISS FRANCS** | | | | | | | |
| Pacific Life Funding | 300 | Mar 2007 | 3.00 | 101.95 | - | - | Warburg Dillon Read |
| Landesbank Rheinland-Pfalz | 150 | Dec 2002 | 2.00 | 101.30 | - | - | ABN Amro |
| **NEW ZEALAND DOLLARS** | | | | | | | |
| Inter-American Dev Bank | 500 | Apr 2004 | 5⅞#(a) | 99.09R | 5.955 | +72(8%Apr04) | TD Securities |
| LB Schleswig-Holstein | 100 | Mar 2002 | 5.50 | 100.45 | - | - | RBC DS Global Markets |
| Bayerische Landesbank | 100 | Feb 2004 | 6.00 | 99.22R | 6.186 | - | Deutsche/TD Securities |
| **GREEK DRACHMA** | | | | | | | |
| HypoVereins Finance | 20bn | Feb 2004 | 5.50 | 98.876R | 5.765 | - | HypoVereinsbank |
| Republic of Italy(u) | 20bn | Feb 2004 | (u1) | 99.37R | - | - | JP Morgan/NBG |
| Helaba Finance NV | 10bn | Feb 2002 | 6.25 | 99.92R | 6.280 | - | Salomon/Unicredito |
| World Bank | 30bn | Feb 2002 | 6.00 | 99.8625R | 6.051 | - | RBC/Natl Bk of Greece |
| Kingdom of Denmark | 10bn | Feb 2002 | 6.00 | 99.9375R | 6.023 | - | Deutsche Bank |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ¢With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Card Master Trust. Legal maturity: Aug 04. Av life: 3.02 yrs. a1) Class B: $26m, 5.55%, 99.29, 3.1 yrs. b) Fungible with $1bn. Plus 101 days accrued. c) Each €165 bond convertible into one Axa ord share. Redemption price: 230.88%. Greenshoe: 15%. Callable from 1/1/05 subject to 125% hurdle at accreted value. d) Secured on French residential mortgages. Spread re French govt bonds. e) Spread relates to German government bonds unless stated. f) Fungible with €300m, plus 62 days accrued. f1) 3-mth Euribor +20bp. g) €300m launched in January was increased to €400m. h) Secured on loans by HypoVereinsbank Lux. Callable on 12/8 & 12/11/01. h1) 3-mth Euribor +20bp. h2) 3-mth Libor +20bp. h3) 3-mth Euribor +40bp. h4) Also issued: Class C, €22.3m, 3ME +100bp; Class D, €33.5m, 3ME +250bp. i) Over interpolated yield. j) 3-mth Libor +12½bp. k) 3-mth Libor flat. l) Long 1st coupon. m) Fungible with $100m. Plus 11 days accrued. n) 3-mth Euribor +10bp. o) Issuer's option to convert on 22/2/04 into zero coupon bond redeemable at 160%. o1) 13½% in yr 1, 7% in yrs 2-4, 4% in yr 5, then 8% -12-mth Euribor. p) Oeffentliche Pfandbriefe. q) Quarterly coupons. r) Recommended re-offer. s) Short 1st coupons. t) 3-mth Libor +10bp. u) Dr20bn issued in January was increased to Dr40bn. u1) 7% in yr 1, 6% in yr 2, 4½% in yrs 3-4, then 4%. see note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. v) Long 1st & short last. w) Secured on auto loans originated by Nissan Credit Corp. Average life: 1.2 yrs. w1) 1-mth Euribor +47bp. x) Callable. x1) 14.75% in yr 1, 4% in yrs 2-5, then 7% - 12-mth Euribor. y) €100m launched on 28/1/99 increased to €200m. Redemption linked to any fall in Dow Jones Euro Stoxx 50 index; max par. z) £125m launched 28/1/99 was increased to £200m. A) €750m launched on 26/1/99 was increased to €1bn. B) Fungible with DM, FFr and Fl issues from 26/2/01. B1) 15% in yrs 1-2, then 8%. C) Each €188 bond convertible into one share. Redemption price: €195.13. Callable from 1/1/02 subject to 115% hurdle at accreted value. D) 14¼% in yr 1, 6% in yr 2, 5% in yr 3, 4% in yrs 4-8, then 8% - 12-mth Euribor. E) Redemption price: 136%. E1) 10% in yr 1, 5% in yr 2, 4% in yrs 3-5, then zero. F) Conversion price: 330p. Callable from 19/2/03 at par. Greenshoe: £45m. G) Denom: $1,000 + 1 warrant to exchange $-denominated Brady bonds into global bonds. H) 3-mth Libor +12½bp. J) Fungible with $3.675bn. Plus 12 days accrued. K) Preference shares of €50. Callable from Mar 04 at €50. L) Fungible with €511.3m. Plus 180 days accrued. M) Secured on nursing homes originated by Nursing Home Properties plc. Expected maturities shown. S) Spread re Spanish govt bonds. Note: Yields are calculated on ISMA basis.

هكذا من الأصل



# EVERYDAY, ENERGY FINDS ANOTHER REASON TO CALL ITSELF ENI.

# ENERGY MADE IN ITALY.

FIRELLA GÖTTSCHE LOWE

## THE VAL D'AGRI PROJECT: WITH 104,000 BARRELS A DAY, ENI DOUBLES THE ITALIAN PRODUCTION OF CRUDE OIL.

Perhaps, not many people know that Italy too has its Texas: it can be found in Val d'Agri. Today, Eni announces the birth of an important new project. The Val d'Agri oil field will alone double Italy's entire oil production, supplying 104,000 barrels a day, or 5 million tons of oil a year. This represents an exceptional achievement in terms of workforce, equipment and resources. Moreover Eni, together with the Regione Basilicata, will undertake a series of projects to safeguard the environment. These projects will be supervised using a scrupulous monitoring system in order to give even greater strength to this Italian-made energy. Eni S.p.A. - Piazzale E. Mattei, 1 - 00144 Rome, Italy - http://www.eni.it

## CURRENCIES & MONEY

# Eyes on Bank data

The Bank of England publishes its latest quarterly inflation report on Wednesday. Some analysts expect it to trim its projections for UK economic growth.

Currency markets will scrutinise the report for clues as to whether monetary policy may be eased further to stimulate domestic demand. According to economists, the report is likely to signal that last week's half percentage point cut in UK interest rates to 5.5 per cent is intended to allow a pause before further moves.

The report is expected to forecast that inflation in two years' time will be broadly in line with the targeted annual underlying rate of 2.5 per cent.

"Such a forecast will imply that further base rate moves will only be justified if there is a marked change in the outlook for growth and inflation," said Michael Saunders, economist at Salomon Smith Barney.

However, Mr Saunders said there might be further scope for further monetary easing later on and he expected interest rates to fall to about 4.5 per cent by early 2000. Economic growth is likely to be flat in the first half of the year, with gross domestic product rising by only half a per cent in 1999 as a whole.

"Thus far, the weakness in exports and consumer spending has yet to really feed through to cutbacks in jobs, inventories and investment. However, the latest monetary data show signs of a marked squeeze in corporate cash flow," he added.

Currency dealers will also be watching Japan's government bond market, where yields have soared in recent days, sparking fears that Japanese investors may sell foreign assets and repatriate capital.

US retail sales data, released on Thursday, are likely to confirm the strength of the US economy. The dollar's resilience in the face of recent financial turmoil in Brazil depends on robust US consumer appetite.

## POUND SPOT FORWARD AGAINST THE POUND

| Feb 5 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria* | (Sch) | 19.9764 | +0.0123 | 665 - 862 | 20.0099 | 19.9018 | 19.9393 | 2.2 | 19.8615 | 2.3 | 19.5613 | 2.1 | 102.6 |
| Belgium* | (BFr) | 58.5628 | +0.0360 | 339 - 917 | 58.6610 | 58.3420 | 58.454 | 2.2 | 58.226 | 2.3 | 57.3459 | 2.1 | 102.4 |
| Denmark | (DKr) | 10.7926 | +0.0033 | 876 - 981 | 10.8150 | 10.7554 | 10.7788 | 1.8 | 10.7429 | 1.8 | 10.6155 | 1.6 | 105.4 |
| Finland* | (FM) | 8.6317 | +0.0054 | 274 - 359 | 8.6460 | 8.5980 | 8.6156 | 2.2 | 8.582 | 2.3 | 8.4524 | 2.1 | 81.0 |
| France* | (FFr) | 9.5228 | +0.0059 | 181 - 275 | 9.5386 | 9.4869 | 9.5051 | 2.2 | 9.468 | 2.3 | 9.3248 | 2.1 | 105.5 |
| Germany* | (DM) | 2.8393 | +0.0017 | 379 - 407 | 2.8449 | 2.8279 | 2.834 | 2.2 | 2.823 | 2.3 | 2.7803 | 2.1 | 103.3 |
| Greece | (Dr) | 467.308 | +0.8710 | 051 - 566 | 468.817 | 464.748 | 468.893 | -4.1 | 472.539 | -4.5 | 486.166 | -4.0 | 62.6 |
| Ireland* | (I£) | 1.1434 | +0.0008 | 428 - 439 | 1.1453 | 1.1390 | 1.1412 | 2.3 | 1.1368 | 2.3 | 1.1196 | 2.1 | 93.8 |
| Italy* | (L) | 2810.95 | +1.7300 | 956 - 234 | 2815.88 | 2800.35 | 2805.72 | 2.2 | 2794.78 | 2.3 | 2752.53 | 2.1 | 75.4 |
| Luxembourg* | (LFr) | 58.5628 | +0.0360 | 339 - 917 | 58.6610 | 58.3420 | 58.454 | 2.2 | 58.226 | 2.3 | 57.3459 | 2.1 | 102.4 |
| Netherlands* | (Fl) | 3.1992 | +0.0019 | 976 - 008 | 3.2046 | 3.1872 | 3.1932 | 2.2 | 3.1808 | 2.3 | 3.1327 | 2.1 | 101.8 |
| Norway | (NKr) | 12.5808 | +0.0145 | 519 - 696 | 12.6456 | 12.5258 | 12.5814 | -2.0 | 12.6175 | -1.8 | 12.6668 | -0.8 | 91.6 |
| Portugal* | (Es) | 291.047 | +0.1790 | 903 - 190 | 291.536 | 289.957 | 290.506 | 2.2 | 289.373 | 2.3 | 284.999 | 2.1 | 92.1 |
| Spain* | (Pta) | 241.548 | +0.1480 | 429 - 667 | 241.960 | 240.640 | 241.099 | 2.2 | 240.158 | 2.3 | 236.529 | 2.1 | 75.9 |
| Sweden | (SKr) | 12.8516 | -0.0399 | 410 - 621 | 12.8909 | 12.8399 | 12.8297 | 2.0 | 12.7898 | 2.1 | 12.6166 | 1.8 | 83.0 |
| Switzerland | (SFr) | 2.3217 | -0.0005 | 205 - 228 | 2.3315 | 2.3144 | 2.3138 | 4.1 | 2.2978 | 4.1 | 2.2393 | 3.5 | 107.2 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 100.3 |
| Euro | (€) | 1.4518 | +0.0009 | 510 - 525 | 1.4547 | 1.4484 | 1.4491 | 2.2 | 1.4434 | 2.3 | 1.4217 | 2.1 | - |
| SDR† | - | 1.178400 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.6378 | +0.0001 | 375 - 381 | 1.6452 | 1.6362 | - | - | - | - | - | - | - |
| Brazil | (R$) | 3.0149 | +0.0665 | 979 - 318 | 3.0307 | 2.9708 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.4396 | -0.0111 | 373 - 398 | 2.4534 | 2.4325 | 2.4375 | 0.6 | 2.4359 | 0.4 | 2.4335 | 0.2 | 78.6 |
| Mexico | (New Peso) | 16.5243 | -0.0687 | 131 - 355 | 16.5866 | 16.5131 | 16.8843 | -26.1 | 17.6059 | -26.2 | 20.5324 | -24.3 | - |
| USA | ($) | 1.6385 | +0.0006 | 382 - 388 | 1.6455 | 1.6369 | 1.6377 | 0.6 | 1.6365 | 0.5 | 1.638 | 0.0 | 104.3 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.5117 | -0.0297 | 099 - 135 | 2.5386 | 2.5079 | 2.51 | 0.8 | 2.5074 | 0.7 | 2.5042 | 0.3 | 81.3 |
| Hong Kong | (HK$) | 12.6969 | +0.0041 | 941 - 996 | 12.7493 | 12.6848 | 12.6944 | 0.2 | 12.7101 | -0.4 | 12.9469 | -2.0 | - |
| India | (Rs) | 69.5830 | +0.0274 | 662 - 998 | 69.8760 | 69.5662 | 69.8583 | -4.7 | 70.5954 | -5.8 | 74.5558 | -7.2 | - |
| Indonesia | (Rupiah) | 14377.85 | +86.2800 | 330 - 241 | 14462.41 | 14093.00 | 14738.91 | -30.1 | 15646.06 | -35.3 | 18714.24 | -30.2 | - |
| Israel | (Shk) | 6.7010 | -0.0203 | 917 - 102 | 6.7017 | 6.6659 | - | - | - | - | - | - | - |
| Japan | (Y) | 185.069 | +1.2530 | 969 - 168 | 185.430 | 183.140 | 184.324 | 4.8 | 182.749 | 5.0 | 176.404 | 4.7 | 135.6 |
| Malaysia | (M$)‡ | 6.2263 | +0.0018 | 954 - 967 | 6.2524 | 6.2207 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.9702 | +0.0028 | 672 - 731 | 2.9864 | 2.9570 | 2.9659 | 1.8 | 2.9597 | 1.4 | 2.9602 | 0.3 | 92.7 |
| Philippines | (Peso) | 63.2462 | +0.0193 | 888 - 035 | 63.4209 | 62.9888 | 63.6189 | -7.1 | 64.4459 | -7.6 | 68.2852 | -8.0 | - |
| Saudi Arabia | (SR) | 6.1456 | +0.0020 | 441 - 471 | 6.1716 | 6.1400 | 6.1506 | -1.0 | 6.168 | -1.5 | 6.258 | -1.8 | - |
| Singapore | (S$) | 2.7650 | +0.0008 | 636 - 663 | 2.7749 | 2.7633 | 2.7574 | 3.3 | 2.7431 | 3.2 | 2.7048 | 2.2 | - |
| South Africa | (R) | 9.8310 | -0.0875 | 210 - 410 | 9.9440 | 9.7887 | 9.9111 | -9.8 | 10.075 | -9.9 | 10.7616 | -9.5 | - |
| South Korea | (Won) | 1917.21 | -0.0700 | 506 - 936 | 1923.95 | 1915.06 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 52.8662 | +0.0079 | 992 - 332 | 53.0591 | 52.7818 | 53.1091 | -5.5 | 53.2146 | -2.6 | 53.8329 | -1.8 | - |
| Thailand | (Bt) | 60.2723 | +0.0348 | 039 - 408 | 60.4560 | 60.2039 | 60.2822 | -0.2 | 60.4076 | -0.9 | 61.8101 | -2.6 | - |

‡ Rates for Feb 4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Feb 5 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria* | (Sch) | 12.1916 | +0.0037 | 880 - 956 | 12.2043 | 12.1012 | 12.1754 | 1.6 | 12.1557 | 1.8 | 11.9427 | 2.0 | 102.4 |
| Belgium* | (BFr) | 35.7417 | +0.0110 | 306 - 528 | 35.7790 | 35.4760 | 35.6936 | 1.6 | 35.577 | 1.8 | 35.0097 | 2.0 | 102.6 |
| Denmark | (DKr) | 6.5870 | - | 850 - 890 | 6.5966 | 6.5406 | 6.5806 | 1.2 | 6.5641 | 1.4 | 6.4827 | 1.5 | 104.9 |
| Finland* | (FM) | 5.2680 | +0.0016 | 664 - 696 | 5.2734 | 5.2289 | 5.2609 | 1.6 | 5.2437 | 1.8 | 5.1601 | 2.0 | 80.8 |
| France* | (FFr) | 5.8719 | +0.0018 | 101 - 137 | 5.8178 | 5.7687 | 5.804 | 1.6 | 5.7851 | 1.9 | 5.6828 | 2.0 | 106.4 |
| Germany* | (DM) | 1.7329 | +0.0005 | 324 - 334 | 1.7347 | 1.7200 | 1.7306 | 1.6 | 1.7249 | 1.8 | 1.6974 | 2.0 | 103.3 |
| Greece | (Dr) | 285.205 | +0.4450 | 100 - 310 | 285.690 | 282.590 | 286.32 | -4.7 | 288.73 | -4.9 | 296.605 | -4.1 | 62.5 |
| Ireland* | (I£) | 1.4331 | -0.0005 | 326 - 335 | 1.4438 | 1.4316 | 1.4351 | -1.7 | 1.4390 | -1.5 | 1.4631 | -2.1 | - |
| Italy* | (L) | 1715.56 | -0.5390 | 503 - 610 | 1717.31 | 1702.81 | 1713.25 | 1.6 | 1707.65 | 1.8 | 1680.42 | 2.0 | 75.3 |
| Luxembourg* | (LFr) | 35.7417 | +0.0110 | 306 - 528 | 35.7780 | 35.4760 | 35.6936 | 1.6 | 35.577 | 1.8 | 35.0097 | 2.0 | 102.6 |
| Netherlands* | (Fl) | 1.9525 | +0.0006 | 519 - 531 | 1.9545 | 1.9380 | 1.9499 | 1.6 | 1.9435 | 1.8 | 1.9125 | 2.0 | 101.9 |
| Norway | (NKr) | 7.6660 | +0.0085 | 620 - 700 | 7.7010 | 7.6185 | 7.6825 | -2.6 | 7.7095 | -2.3 | 7.739 | -0.9 | 91.3 |
| Portugal* | (Es) | 177.630 | +0.0550 | 575 - 685 | 177.810 | 176.310 | 177.391 | 1.6 | 176.811 | 1.8 | 173.992 | 2.0 | 92.4 |
| Spain* | (Pta) | 147.420 | +0.0450 | 375 - 466 | 147.570 | 146.320 | 147.222 | 1.6 | 146.741 | 1.8 | 144.401 | 2.0 | 76.4 |
| Sweden | (SKr) | 7.8435 | -0.0260 | 385 - 485 | 7.8646 | 7.8097 | 7.8342 | 1.4 | 7.8111 | 1.7 | 7.7024 | 1.8 | 82.6 |
| Switzerland | (SFr) | 1.4170 | -0.0067 | 165 - 174 | 1.4209 | 1.4083 | 1.4125 | 3.5 | 1.4041 | 3.7 | 1.3872 | 3.5 | 107.0 |
| UK | (£) | 1.6385 | +0.0005 | 382 - 388 | 1.6455 | 1.6369 | 1.6377 | 0.6 | 1.6368 | 0.5 | 1.638 | 0.0 | 100.2 |
| Euro | (€) | 1.1287 | -0.0003 | 283 - 290 | 1.1371 | 1.1274 | 1.1302 | -1.6 | 1.134 | -1.9 | 1.1523 | -2.1 | - |
| SDR† | - | 0.71940 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9995 | -0.0002 | 995 - 995 | 0.9996 | 0.9996 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.8400 | +0.0400 | 300 - 500 | 1.8400 | 1.8100 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.4883 | -0.0072 | 878 - 888 | 1.4922 | 1.4828 | 1.4884 | -0.1 | 1.4884 | 0.0 | 1.4858 | 0.2 | 77.7 |
| Mexico | (New Peso) | 10.0850 | -0.0450 | 800 - 900 | 10.0900 | 10.0800 | 10.31 | -26.8 | 10.7575 | -26.7 | 12.535 | -24.3 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 105.5 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.5329 | -0.0186 | 321 - 337 | 1.5437 | 1.5298 | 1.5325 | 0.3 | 1.532 | 0.2 | 1.5314 | 0.1 | 81.6 |
| Hong Kong | (HK$) | 7.7491 | +0.0001 | 488 - 493 | 7.7493 | 7.7485 | 7.7516 | -0.4 | 7.7661 | -0.9 | 7.9041 | -2.8 | - |
| India | (Rs) | 42.4675 | +0.0037 | 650 - 700 | 42.4750 | 42.4600 | 42.6575 | -5.4 | 43.135 | -6.3 | 45.5225 | -7.2 | - |
| Indonesia | (Rupiah) | 8775.00 | +50.0000 | 500 - 500 | 8825.00 | 8575.00 | 9000 | -30.8 | 9580 | -35.6 | 11425 | -30.2 | - |
| Israel | (Shk) | 4.0897 | +0.0111 | 848 - 946 | 4.0949 | 4.0705 | - | - | - | - | - | - | - |
| Japan | (Y) | 112.950 | +0.7300 | 910 - 990 | 113.700 | 111.400 | 112.55 | 4.2 | 111.085 | 4.6 | 107.685 | 4.7 | 138.4 |
| Malaysia | (M$)‡ | 3.8000 | - | 300 - 300 | 3.8000 | 3.8000 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 1.8127 | +0.0011 | 113 - 142 | 1.8169 | 1.8067 | 1.8109 | 1.2 | 1.8092 | 0.8 | 1.8036 | 0.2 | - |
| Philippines | (Peso) | 38.6000 | - | 500 - 500 | 38.7500 | 38.4500 | 38.8475 | -7.7 | 39.3775 | -8.1 | 41.088 | -8.8 | - |
| Saudi Arabia | (SR) | 3.7508 | +0.0001 | 505 - 510 | 3.7510 | 3.7505 | 3.7558 | -1.6 | 3.7688 | -1.9 | 3.8205 | -1.9 | - |
| Singapore | (S$) | 1.6875 | - | 870 - 880 | 1.6890 | 1.6850 | 1.6838 | 2.7 | 1.6761 | 2.7 | 1.6513 | 2.1 | - |
| South Africa | (R) | 6.0000 | -0.0553 | 950 - 050 | 6.0458 | 5.9800 | 6.052 | -10.4 | 6.158 | -10.4 | 6.57 | -9.5 | - |
| South Korea | (Won) | 1170.10 | -8.4008 | 900 - 120 | 1171.20 | 1169.00 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 32.2650 | -0.0050 | 300 - 000 | 32.3000 | 32.2300 | 32.43 | -6.1 | 32.515 | -3.1 | 32.886 | -1.9 | - |
| Thailand | (Bt) | 36.7850 | +0.0100 | 500 - 200 | 36.8200 | 36.6500 | 36.81 | -0.8 | 36.91 | -1.4 | 37.735 | -2.8 | - |

† SDR rate per $ for Feb 4. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 5.43 MYR/USD, a discount of 30% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Feb 4. Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com

## WORLD INTEREST RATES

### MONEY RATES

| Feb 5 | Over night | One month | Three mths | Six mths | One year | Lomb. Inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Euro-zone | 3¼ | 3⅛ | 3⅛ | 3⅛ | 3⅛ | - | 3.00 | 3.00 |
| weekago | | | | | | | | |
| Switzerland | 1⅛ | 1¼ | 1⅛ | 1⅛ | 1½ | - | 1.00 | - |
| weekago | 1⅜ | 1⅛ | 1¼ | 1⅛ | 1⅝ | - | 1.00 | - |
| US | 4¾ | 4⅞ | 4⅞ | 4⅞ | 5⅛ | - | 4.50 | - |
| weekago | 4⅞ | 4⅞ | 4⅞ | 4⅞ | 5 | - | 4.50 | - |
| Japan | [illegible] | [illegible] | ⅜ | ⅜ | ⅜ | - | 0.50 | - |
| weekago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 0.50 | - |
| **$ LIBOR BBA London** | | | | | | | | |
| Interbank Fixing | - | 4⅞ | 4⅞ | 5 | 5⅛ | - | - | - |
| weekago | - | 4⅞ | 4⅞ | 4⅞ | 5⅛ | - | - | - |
| US Dollar CDs | - | 4.74 | 4.79 | 4.82 | 4.91 | - | - | - |
| weekago | - | 4.73 | 4.73 | 4.73 | 4.75 | - | - | - |
| Euro Linked Ds | - | 3⅛ | 3⅛ | 3⅛ | 3⅛ | - | - | - |
| weekago | - | 3⅛ | 3⅛ | 3⅛ | 3⅛ | - | - | - |
| SDR Linked Ds | - | 3⅝ | 3¼ | 3⅛ | 3⅛ | - | - | - |
| weekago | - | 3⅝ | 3¼ | 3⅛ | 3⅛ | - | - | - |
| BBA Euro Libor | - | 3⅛ | 3⅛ | 3⅛ | 3⅛ | - | - | - |
| weekago | | | | | | | | |
| Euro Euribor | - | 3.156 | 3.107 | 3.044 | 3.026 | - | - | - |
| weekago | | | | | | | | |
| EONIA | 3.15 | - | - | - | - | - | - | - |
| weekago | | | | | | | | |
| EURONIA | 3.1514 | - | - | - | - | - | - | - |
| weekago | | | | | | | | |

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

### INTERNATIONAL CURRENCY RATES

| Feb 5 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Euro | 3⅛ - 3⅛ | 3⅛ - 3⅛ | 3⅛ - 3⅛ | 3⅛ - 3⅛ | 3⅛ - 2⅞ | 3⅛ - 2⅞ |
| Danish Krone | 3⅞ - 3⅝ | 3⅞ - 3¾ | 3⅞ - 3½ | 3¾ - 3⅝ | 3½ - 3⅜ | 3½ - 3⅜ |
| Sterling | 5⅜ - 5⅛ | 5¾ - 5½ | 5⅝ - 5⅜ | 5⅜ - 5⅛ | 5⅜ - 5⅛ | 5⅛ - 5⅛ |
| Swiss Franc | 1⅛ - ⅞ | 1⅛ - 1⅛ | 1⅛ - 1⅛ | 1⅛ - 1⅛ | 1¼ - 1⅛ | 1⅛ - 1⅛ |
| Canadian Dollar | 5 - 4⅞ | 5 - 4⅞ | 5 - 4⅞ | 4⅞ - 4⅞ | 4⅞ - 4⅞ | 5 - 4⅞ |
| US Dollar | 4⅞ - 4⅝ | 4⅞ - 4¾ | 4⅞ - 4⅞ | 4⅞ - 4⅞ | 5⅛ - 4⅞ | 5⅛ - 5⅛ |
| Japanese Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | 1¼ - 1 | 2⅛ - 1⅞ | 2⅛ - 1⅞ | 2½ - 2 | 2⅝ - 2⅛ | 3⅛ - 2⅞ |

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.99 | 94.98 | -0.02 | 95.00 | 94.97 | 73,698 | 445,435 |
| Jun | 94.99 | 94.95 | -0.03 | 95.00 | 94.94 | 129,360 | 442,269 |
| Sep | 94.95 | 94.92 | -0.04 | 94.98 | 94.90 | 196,018 | 417,545 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 95.67 | 95.67 | -0.02 | 95.67 | 95.66 | 19 | 2,141 |
| Jun | 95.70 | 95.70 | -0.02 | 95.70 | 95.70 | 300 | 391 |

All Open Interest figs. are for previous day

## ■ POUND IN NEW YORK

| Feb 5 | —Close — | — Prev. close — |
|---|---|---|
| £ spot | 1.6320 | 1.6445 |
| 1 mth | 1.6312 | 1.6436 |
| 3 mth | 1.6300 | 1.6425 |
| 1 yr | 1.6315 | 1.6428 |

**FT GUIDE to WORLD CURRENCIES**

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

## ■ OTHER CURRENCIES

| Feb 5 | £ | $ |
|---|---|---|
| Czech Rp | 54.2457 - 54.3442 | 33.1130 - 33.1610 |
| Hungary | 361.141 - 361.470 | 220.450 - 220.570 |
| Iran | 4916.40 - 4914.60 | 3000.00 - 3000.00 |
| Kuwait | 0.4959 - 0.4966 | 0.3027 - 0.3030 |
| Peru | 5.5428 - 5.5498 | 3.3835 - 3.3865 |
| Poland | 6.0879 - 6.0865 | 3.7040 - 3.7140 |
| Russia | 38.0062 - 38.1840 | 23.2000 - 23.3000 |
| U.A.E. | 6.0166 - 6.0193 | 3.6727 - 3.6730 |

**BANK RETURN**

The Bank Return table can be found on page 27 in today's edition.



## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Feb 5 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | € |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium* | (BFr) | 100 | 18.43 | 16.26 | 4.848 | 1.952 | 4800 | 5.463 | 21.45 | 497.0 | 412.5 | 21.95 | 3.964 | 1.708 | 4.164 | 2.798 | 316.0 | 2.479 |
| Denmark | (DKr) | 54.26 | 10 | 8.823 | 2.631 | 1.059 | 2604 | 2.964 | 11.64 | 269.7 | 223.8 | 11.91 | 2.151 | 0.927 | 2.259 | 1.518 | 171.5 | 1.345 |
| France* | (FFr) | 61.50 | 11.33 | 10 | 2.982 | 1.201 | 2952 | 3.360 | 13.19 | 305.6 | 253.7 | 13.50 | 2.438 | 1.050 | 2.561 | 1.721 | 194.3 | 1.525 |
| Germany* | (DM) | 20.63 | 3.801 | 3.354 | 1 | 0.403 | 990.0 | 1.127 | 4.424 | 102.5 | 85.07 | 4.526 | 0.818 | 0.352 | 0.859 | 0.577 | 65.18 | 0.511 |
| Ireland* | (I£) | 51.22 | 9.440 | 8.329 | 2.483 | 1 | 2459 | 2.798 | 10.99 | 254.6 | 211.3 | 11.24 | 2.031 | 0.875 | 2.133 | 1.433 | 161.9 | 1.270 |
| Italy* | (L) | 2.083 | 0.384 | 0.339 | 0.101 | 0.041 | 100 | 0.114 | 0.447 | 10.35 | 8.593 | 0.457 | 0.083 | 0.036 | 0.087 | 0.058 | 6.584 | 0.052 |
| Netherlands* | (Fl) | 18.31 | 3.374 | 2.977 | 0.888 | 0.357 | 878.6 | 1 | 3.926 | 90.97 | 75.50 | 4.017 | 0.726 | 0.313 | 0.762 | 0.512 | 57.85 | 0.454 |
| Norway | (NKr) | 46.62 | 8.592 | 7.581 | 2.261 | 0.910 | 2238 | 2.547 | 10 | 231.7 | 192.3 | 10.23 | 1.848 | 0.796 | 1.941 | 1.304 | 147.3 | 1.156 |
| Portugal* | (Es) | 20.12 | 3.708 | 3.272 | 0.976 | 0.393 | 965.8 | 1.099 | 4.316 | 100 | 82.99 | 4.416 | 0.798 | 0.344 | 0.838 | 0.563 | 63.58 | 0.499 |
| Spain* | (Pta) | 24.24 | 4.468 | 3.942 | 1.175 | 0.473 | 1164 | 1.324 | 5.200 | 120.5 | 100 | 5.321 | 0.961 | 0.414 | 1.010 | 0.678 | 76.62 | 0.601 |
| Sweden | (SKr) | 45.57 | 8.398 | 7.410 | 2.209 | 0.890 | 2187 | 2.489 | 9.774 | 226.5 | 188.0 | 10 | 1.807 | 0.778 | 1.898 | 1.275 | 144.0 | 1.130 |
| Switzerland | (SFr) | 25.23 | 4.649 | 4.102 | 1.223 | 0.492 | 1211 | 1.378 | 5.410 | 125.4 | 104.0 | 5.535 | 1 | 0.431 | 1.050 | 0.706 | 79.71 | 0.625 |
| UK | (£) | 58.56 | 10.79 | 9.522 | 2.839 | 1.143 | 2811 | 3.199 | 12.56 | 291.0 | 241.5 | 12.85 | 2.322 | 1 | 2.439 | 1.639 | 185.1 | 1.452 |
| Canada | (C$) | 24.01 | 4.426 | 3.905 | 1.164 | 0.469 | 1153 | 1.312 | 5.151 | 119.3 | 99.05 | 5.270 | 0.952 | 0.410 | 1 | 0.672 | 75.89 | 0.595 |
| USA | ($) | 35.74 | 6.587 | 5.812 | 1.733 | 0.698 | 1715 | 1.952 | 7.666 | 177.6 | 147.4 | 7.844 | 1.417 | 0.610 | 1.488 | 1 | 113.0 | 0.886 |
| Japan | (Y) | 31.64 | 5.832 | 5.146 | 1.534 | 0.618 | 1519 | 1.729 | 6.787 | 157.3 | 130.5 | 6.944 | 1.255 | 0.540 | 1.318 | 0.885 | 100 | 0.784 |
| Euro | (€) | 40.34 | 7.435 | 6.560 | 1.956 | 0.788 | 1936 | 2.204 | 8.652 | 200.5 | 166.4 | 8.853 | 1.599 | 0.689 | 1.680 | 1.129 | 127.5 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.5804 | 0.5769 | -0.0037 | 0.5824 | 0.5762 | 17,673 | 58,429 |
| Jun | 0.5812 | 0.5797 | -0.0037 | 0.5812 | 0.5796 | 48 | 1,526 |
| Sep | - | 0.5827 | -0.0037 | - | 0.5835 | 9 | 166 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.7097 | 0.7061 | -0.0036 | 0.7128 | 0.7048 | 17,740 | 55,795 |
| Jun | 0.7140 | 0.7126 | -0.0036 | 0.7155 | 0.7118 | 61 | 512 |
| Sep | - | 0.7188 | -0.0036 | - | 0.7178 | 7 | 320 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.8950 | 0.8872 | -0.0071 | 0.9020 | 0.8833 | 19,663 | 70,544 |
| Jun | 0.9104 | 0.8975 | -0.0071 | 0.9104 | 0.8938 | 263 | 5,042 |
| Sep | - | 0.9082 | -0.0071 | - | - | 20 | 1,498 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 1.6436 | 1.6312 | -0.0128 | 1.6444 | 1.6300 | 11,207 | 52,705 |
| Jun | 1.6380 | 1.6302 | -0.0122 | 1.6400 | 1.6270 | 4 | 1,791 |
| Sep | - | 1.6300 | -0.0120 | - | 1.6280 | 260 | 230 |

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | CALLS Feb | CALLS Mar | CALLS Apr | PUTS Feb | PUTS Mar | PUTS Apr |
|---|---|---|---|---|---|---|
| 1.630 | 0.76 | 1.52 | 2.12 | 0.52 | 1.37 | 2.07 |
| 1.640 | 0.40 | 1.11 | 1.72 | 1.03 | 1.87 | 2.52 |
| 1.650 | 0.15 | 0.79 | 1.33 | 1.79 | 2.51 | 3.13 |

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

| Strike Price | CALLS Feb | CALLS Mar | CALLS Apr | PUTS Feb | PUTS Mar | PUTS Apr |
|---|---|---|---|---|---|---|
| 0.575 | 0.34 | 0.70 | 1.01 | 0.20 | 0.48 | 0.70 |
| 0.580 | 0.12 | 0.45 | 0.76 | 0.48 | 0.71 | 0.95 |
| 0.585 | 0.08 | 0.29 | 0.56 | 0.89 | 1.07 | 1.28 |

Previous day's vol., Calls n/a Puts n/a Prev. day's open int., Calls n/a Puts n/a

### BENCHMARK GOVERNMENT BONDS

| Feb 5 | Red Date | Coupon | Bid Price | Bid Yield | Day chg yield | Wk chg yield | Month chg yld | Year chg yld |
|---|---|---|---|---|---|---|---|---|
| Australia | 01/01 | 8.750 | 107.0808 | 4.84 | +0.04 | +0.18 | +0.14 | -0.35 |
| | 09/08 | 8.750 | 125.8606 | 5.28 | +0.06 | +0.24 | +0.14 | -0.86 |
| Austria | 07/00 | 5.875 | 103.9000 | 3.04 | -0.05 | +0.09 | -0.15 | -1.08 |
| | 01/08 | 5.000 | 107.5700 | 3.96 | -0.02 | +0.15 | +0.02 | -1.24 |
| Belgium | 01/00 | 4.000 | 100.9300 | 2.98 | -0.02 | +0.06 | -0.09 | -1.99 |
| | 03/08 | 5.750 | 113.2900 | 3.98 | -0.03 | +0.13 | - | -1.20 |
| Canada | 12/00 | 5.000 | 100.1700 | 4.90 | +0.04 | +0.17 | +0.16 | -0.06 |
| | 06/08 | 6.000 | 106.7300 | 5.08 | +0.02 | +0.19 | +0.14 | -0.35 |
| Denmark | 11/00 | 8.000 | 109.2200 | 3.49 | -0.03 | +0.08 | -0.19 | -0.75 |
| | 11/07 | 7.000 | 120.9000 | 4.11 | -0.02 | +0.12 | +0.05 | -1.35 |
| Finland | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| France | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Germany | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Greece | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ireland | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italy | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Netherlands | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| New Zealand | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Norway | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portugal | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spain | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sweden | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Switzerland | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| UK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| US | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

London closing, * New York closing. [illegible]

## UK INTEREST RATES

### LONDON MONEY RATES

| Feb 5 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 5¾ - 4 | 5⅜ - 5⅛ | 5⅜ - 5¼ | 5⅝ - 5⅜ | 5¼ - 5⅛ | 5⅛ - 5⅛ |
| Sterling CDs | - | - | 6¼ - 6 | 5⅞ - 5¾ | 5⅜ - 5⅛ | 5⅛ - 5⅛ |
| Treasury Bills | - | - | 5⅜ - 5⅜ | 5⅜ - 5⅜ | - | - |
| Bank Bills | - | - | 5⅜ - 5⅜ | 5¾ - 5⅜ | - | - |
| Local authority deps. | 6¼ - 5⅛ | 6½ - 6 | 5⅛ - 5½ | 5⅛ - 5⅛ | 5⅛ - 5¾ | 5⅛ - 5¼ |
| Discount Market deps | 6 - 5¾ | 5⅜ - 5¾ | - | - | - | - |

UK clearing bank base lending rate 5½ per cent from Feb 4, 1999

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 4 | 6.5 | 6.5 | 6.25 | 6.25 |

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.
Ave. tender rate of discount on Feb 5, 5.1040pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 29, 1999. Agreed rate for period Feb 24, 1999 to Mar 23, 1999, Scheme III 7.19pc. Reference rate for period Jan 1, 1999 to Jan 29, 1999, Schemes IV & V 5.926pc. Finance House Base Rate 6.5pc for Feb 1999

### BANK OF ENGLAND TREASURY BILL TENDER

| | Feb 5 | Jan 29 | | Feb 5 | Jan 29 |
|---|---|---|---|---|---|
| Bills on offer | £100m | £100m | Top accepted rate | 5.1040% | 5.3346% |
| Total of applications | £610m | £485m | Ave. rate of discount | 5.1040% | 5.3188% |
| Total allocated | £100m | £100m | Average yield | 5.1697% | 5.3903% |
| Min. accepted bid | £98.725 | £98.670 | Offer at next tender | £100m | £100m |
| Allotment at min. level | 100% | 70% | Min. accept. bid 28 days | - | - |

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 5.50 | Exeter Trust Limited | 6.50 | ●Singer & Friedlander | 5.50 |
| Allied Irish Bank (GB) | 5.50 | Financial & Gen Bank | 6.00 | Smith & Williamson | 5.50 |
| ●Henry Ansbacher | 5.50 | ●Robert Fleming & Co | 5.50 | Sun Bank | 5.50 |
| Banco Bilbao Vizcaya | 5.50 | Habib Bank AG Zurich | 6.00 | TSB | 5.50 |
| Bank of Cyprus | 5.50 | Heritable & Gen Inv Bk | 5.50 | United Bank of Kuwait | 5.50 |
| Bank of Ireland | 5.50 | C. Hoare & Co | 5.50 | Unity Trust Bank Plc | 5.50 |
| Bank of India | 5.50 | ●SG Hambros Bank & Trust | 5.50 | Whiteaway Laidlaw | 5.50 |
| Bank of Scotland | 5.50 | Hongkong & Shanghai | 5.50 | Yorkshire Bank | 5.50 |
| Barclays Bank | 5.50 | Investec Bank (UK) Ltd | 5.50 | | |
| Brit Bk of Mid East | 5.50 | Julian Hodge Bank | 5.50 | | |
| ●Brown Shipley & Co Ltd | 5.50 | ●Leopold Joseph & Sons | 5.50 | | |
| Citibank NA | 5.50 | Lloyds Bank | 5.50 | | |
| Clydesdale Bank | 5.50 | Midland Bank | 5.50 | | |
| The Co-operative Bank | 5.50 | NatWestminster | 5.50 | | |
| Coutts & Co | 5.50 | ●Rea Brothers | 5.50 | | |
| Cyprus Popular Bank | 6.00 | Royal Bk of Scotland | 5.50 | | |
| Duncan Lawrie | 5.50 | Scottish Widows Bank | 6.75 | | |

● Members of London Investment Banking Association

## UK GILTS PRICES

[illegible]

### Other Fixed Interest

[illegible]

# EURO PRICES

## EQUITIES

# Rate rethink as US and Europe diverge

### EUROPEAN OVERVIEW

By Vincent Boland

European stock markets start the week clear on at least one thing – interest rates across the continent are low and falling.

But one feature to emerge in the past few days has been the sharp divergence between the European and US economies, and the threat that the Federal Reserve may have to raise US rates to quell rampant consumer confidence.

Investors should learn more about *the thinking of* Alan Greenspan, Fed chairman, later this week when he speaks to the banking committee of the House of Representatives. January US retail sales are also published, giving more clues on consumer spending habits.

The European Central Bank left its interest rate regime unchanged last week, and the euro continued to drift against the US dollar. *Given the lacklustre* economic outlook across the continent, it is likely to remain in the doldrums. Bankers expect the currency to reach €1/$1.10 in the near term.

That should be good news for equities, but European bourses appear unwilling to rise further, not least as the threat of higher US rates would undermine the Dow Jones Industrial Average. *Even cyclical stocks, histori*cal beneficiaries of low interest rates, have remained weak.

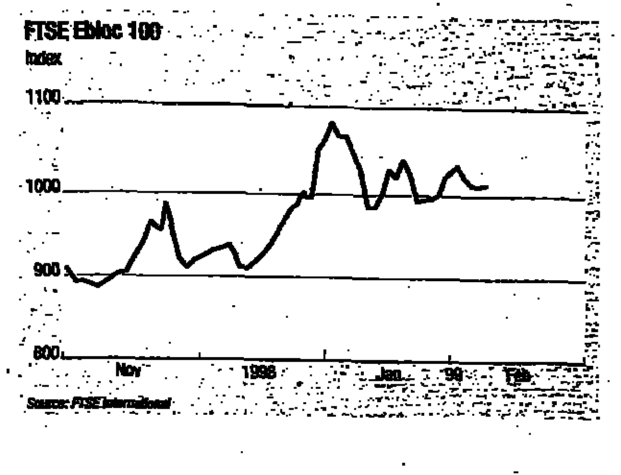
The focus of European investors continues to be shares of large-capitalisation companies. Heavy mutual fund flows into the leading stocks have helped to widen the gulf between the relative share prices of big and smaller companies in the past few months, and this *trend shows no signs of* abating.

According to Salomon Smith Barney, a combined €57.4bn was poured into equity mutual funds by German, French, Italian and Spanish retail investors in 1998, up from €36.8bn in 1997.

While this is still well below US levels – which saw €141.3bn invested in equity funds – the trend in Europe is rising, while in the US it is falling.

The FTSE Eurotop 300 index of leading shares ended the week 10.47 points lower at 1,204.42, while the FTSE Eurotop 100 index was 29.15 lower at 2,757.44. The FTSE Ebloc index of shares in euro-zone companies was 10.57 lower at 1,013.27.

**FTSE Ebloc 100**



Source: FT Extel/Datastream

## FTSE Actuaries Share Indices — European series

Feb 05

| National & Regional Markets | Euro Index | Day's % | change points | Yield gross % | xd adj ytd | Total retn (Euro) € |
|---|---|---|---|---|---|---|
| FTSE Eurotop 300 | 1204.42 | −0.51 | −6.22 | 2.25 | 0.54 | 1240.73 |
| FTSE Eurotop 100 | 2757.44 | −0.48 | −13.41 | 2.30 | 1.81 | 989.08 |
| FTSE Ebloc 100 | 1013.27 | +0.20 | +2.02 | 2.04 | 0.39 | 1028.94 |
| FTSE EuroMid | 1191.92 | +0.12 | +1.38 | 2.81 | 1.12 | 1236.23 |
| FTSE EuroMid Ebloc | 1200.84 | +0.32 | +3.84 | 2.33 | 1.31 | 1227.58 |
| FTSE EuroMid Ex UK | 1241.16 | +0.40 | +4.90 | 2.19 | 0.90 | 1265.07 |
| **FTSE Eurotop 300 Regions** | | | | | | |
| Eurobloc | 1266.66 | +0.10 | +1.20 | 1.99 | 0.69 | 1294.48 |
| UK | 1109.26 | −1.67 | −18.81 | 2.75 | 0.54 | 1165.24 |
| Europe Ex-Eurobloc | 1152.76 | −1.17 | −13.59 | 2.54 | 0.38 | 1194.38 |
| Europe Ex-UK | 1258.93 | +0.07 | +0.83 | 2.01 | 0.54 | 1283.04 |
| **FTSE Eurotop Industry Sectors** | | | | | | |
| RESOURCES | 859.07 | +2.70 | +22.58 | 3.37 | 0.94 | 898.31 |
| Mining | 784.34 | +2.97 | +22.60 | 4.48 | 0.00 | 800.90 |
| Oil & Gas | 828.83 | +2.89 | +21.73 | 3.32 | 0.94 | 849.89 |
| BASIC INDUSTRIES | 1069.15 | +0.39 | +4.16 | 2.74 | 0.86 | 1092.81 |
| Chemicals | 826.65 | +0.21 | +1.72 | 2.73 | 0.65 | 841.93 |
| Construction & Bld Matls | 951.04 | +0.26 | +2.47 | 2.46 | 1.13 | 960.46 |
| Forestry & Paper | 906.14 | +2.45 | +21.70 | 3.49 | 0.00 | 947.57 |
| GENERAL INDUSTRIALS | 1132.00 | +0.60 | +6.78 | 2.36 | 0.55 | 1158.65 |
| Aerospace & Defence | 842.26 | −0.51 | −4.36 | 1.98 | 0.00 | 853.89 |
| Diversified Industrials | 976.30 | −1.30 | −12.90 | 2.06 | 0.00 | 998.63 |
| Electronic & Elect Equip | 1018.67 | +2.14 | +21.34 | 1.82 | 0.18 | 1024.41 |
| Engineering & Machinery | 1026.52 | +1.52 | +15.38 | 3.54 | 1.65 | 1042.45 |
| CYCLICAL CONS GOODS | 1306.80 | −0.06 | −0.80 | 2.52 | 0.00 | 1344.81 |
| Automobiles | 971.65 | −0.45 | −4.38 | 2.39 | 0.00 | 980.66 |
| Household Goods & Texts | 1279.20 | +2.11 | +26.44 | 3.26 | 0.00 | 1290.12 |
| NON-CYC CONS GOODS | 1208.85 | −1.12 | −13.64 | 1.50 | 0.05 | 1242.16 |
| Beverages | 917.25 | +0.89 | +8.10 | 2.96 | 0.00 | 997.05 |
| Food Producers & Process | 897.37 | −0.27 | −2.41 | 1.73 | 0.00 | 907.92 |
| Health | 867.85 | −0.23 | −2.02 | 6.77 | 0.00 | 880.83 |
| Packaging | 754.92 | −0.67 | −5.11 | 1.19 | 0.00 | 755.86 |
| Personal Care & Hse Prods | 1120.78 | −1.00 | −11.30 | 0.87 | 0.00 | 1130.35 |
| Pharmaceuticals | 1107.46 | −1.58 | −17.83 | 1.16 | 0.00 | 1113.47 |
| Tobacco | 1422.40 | −2.57 | −37.56 | 2.80 | 1.42 | 1450.89 |
| CYCLICAL SERVICES | 1278.28 | −1.23 | −15.87 | 2.41 | 0.75 | 1316.49 |
| Distributors | 688.08 | +1.44 | +9.78 | 4.29 | 0.00 | 695.81 |
| General Retailers | 1050.75 | −1.85 | −19.78 | 3.03 | 1.06 | 1073.52 |
| Leisure Entertmt & Hotels | 849.27 | −1.81 | −15.61 | 2.41 | 6.02 | 866.93 |
| Media & Photography | 1153.28 | −0.97 | −11.24 | 2.02 | 0.00 | 1165.60 |
| Rests, Pubs & Breweries | 839.32 | −1.16 | −9.84 | 3.33 | 2.64 | 866.62 |
| Support Services | 1107.52 | −1.18 | −13.20 | 1.34 | 0.00 | 1119.26 |
| Transport | 966.98 | −0.59 | −5.77 | 2.59 | 0.51 | 985.33 |
| NON-CYCLICAL SERVS | 1311.49 | −1.62 | −21.58 | 1.53 | 0.44 | 1350.33 |
| Food & Drug Retailers | 1045.42 | −1.08 | −11.44 | 1.99 | 0.51 | 1061.90 |
| Telecommunications Servs | 1288.59 | −1.74 | −22.84 | 1.44 | 0.39 | 1308.18 |
| UTILITIES | 1467.19 | +0.25 | +3.67 | 3.03 | 3.85 | 1559.53 |
| Electricity | 1127.25 | −0.32 | −3.57 | 3.13 | 3.42 | 1166.84 |
| Gas Distribution | 1188.90 | +2.27 | +26.39 | 1.60 | 1.00 | 1310.09 |
| Water | 931.90 | +0.02 | +0.23 | 5.43 | 0.00 | 975.96 |
| FINANCIALS | 1263.27 | −0.70 | −8.95 | 2.82 | 0.23 | 1297.99 |
| Banks | 861.49 | −0.85 | −7.38 | 3.44 | 0.28 | 874.02 |
| Insurance | 1004.53 | −0.29 | −2.96 | 1.40 | 0.00 | 1016.65 |
| Life Assurance | 1164.47 | −1.38 | −16.32 | 1.69 | 0.00 | 1179.59 |
| Investment Companies | 1006.90 | +0.67 | +6.67 | 1.77 | 0.00 | 1031.06 |
| Real Estate | 678.40 | −0.01 | −0.07 | 3.59 | 0.00 | 696.03 |
| Speciality & Other Fin | 879.66 | −0.59 | −5.19 | 2.56 | 0.00 | 894.35 |
| INFORMATION TECH | 916.02 | −2.44 | −22.93 | 0.68 | 0.00 | 918.20 |
| Information Tech Hardware | 954.43 | −3.74 | −37.12 | 0.76 | 0.00 | 956.70 |
| Software & Computer Serv | 829.62 | +1.27 | +10.37 | 0.46 | 0.00 | 831.60 |

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### THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100–rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.965 | 96.960 | −0.020 | 96.970 | 96.940 | 30935 | 113293 |
| Jun | 97.040 | 97.075 | - | 97.085 | 97.040 | 25354 | 104628 |
| Sep | 97.085 | 97.120 | +0.005 | 97.125 | 97.080 | 19832 | 60719 |
| Dec | 96.850 | 96.870 | +0.005 | 96.870 | 96.845 | 10318 | 64212 |

### THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100–rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.960 | 96.960 | −0.020 | 96.965 | 96.945 | 3572 | 161321 |
| Jun | 97.055 | 97.075 | - | 97.075 | 97.050 | 1872 | 134015 |
| Sep | 97.095 | 97.120 | +0.005 | 97.120 | 97.085 | 625 | 124035 |
| Dec | 96.865 | 96.870 | +0.005 | 96.885 | 96.850 | 635 | 100469 |

### THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100–rate

[illegible]

### FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 2780.0 | 2775.0 | +1.0 | 2780.0 | 2773.0 | 54 | 6421 |
| Jun | | 2779.0 | +1.0 | | | 0 | 0 |

### EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

[illegible]

## OTHER INDICES

[illegible]

Source: Datastream of FT information. *Subject to revision next day. (x) unavailable.

## FTSE EUROTOP 300

[illegible]

Price data and market capitalisations supplied by FTSE International. Market cap figures are based on shares used in index calculations. [illegible]

## CURRENCIES & MONEY

### EURO SPOT FORWARD AGAINST THE EURO

| Feb 5 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | |
| Czech Rep. | (Koruna) | 37.4001 | +0.1238 | 614 - 388 | 37.4388 | 37.0350 | 37.5440 | −4.6 | 37.8578 | −4.9 | 39.2595 | −5.0 |
| Denmark | (DKr) | 7.4345 | −0.0022 | 299 - 390 | 7.4390 | 7.4355 | 7.4372 | −0.4 | 7.4429 | −0.5 | 7.4675 | −0.4 |
| Greece | (Dr) | 321.897 | +0.4030 | 678 - 115 | 322.370 | 320.627 | 323.5903 | −6.3 | 327.3838 | −6.8 | 341.9937 | −6.2 |
| Hungary | (Forint) | 248.679 | +0.0020 | 734 - 024 | 250.150 | 248.010 | 251.3159 | −11.7 | 258.5819 | −12.3 | 278.1996 | −11.8 |
| Norway | (NKr) | 8.8522 | +0.0048 | 450 - 594 | 8.7200 | 8.5406 | 8.8825 | −4.2 | 8.7416 | −4.1 | 8.9103 | −3.0 |
| Poland | (Zloty) | 4.1862 | +0.0207 | 792 - 931 | 4.1931 | 4.1644 | - | - | - | - | - | - |
| Romania | (Leu) | 13810.16 | +108.9200 | 460 - 573 | - | - | - | - | - | - | - | - |
| Russia | (Rouble) | 28.2412 | −0.0081 | 768 - 057 | 28.3907 | 28.1769 | - | - | - | - | - | - |
| Slovakia | (Koruna) | 42.4723 | +0.0727 | 173 - 272 | 43.0700 | 42.3345 | - | - | - | - | - | - |
| Sweden | (SKr) | 8.8526 | −0.0329 | 442 - 610 | 8.8950 | 8.8442 | 8.8540 | −0.2 | 8.8568 | −0.2 | 8.8751 | −0.3 |
| Switzerland | (SFr) | 1.5992 | −0.0014 | 982 - 002 | 1.6042 | 1.5966 | 1.5968 | 1.8 | 1.5920 | 1.8 | 1.5752 | 1.5 |
| UK | (£) | 0.6889 | −0.0004 | 885 - 892 | 0.6908 | 0.6875 | 0.6901 | −2.1 | 0.6926 | −2.3 | 0.7035 | −2.1 |
| **Americas** | | | | | | | | | | | | |
| Argentina | (Peso) | 1.1282 | −0.0008 | 278 - 285 | 1.1366 | 1.1269 | - | - | - | - | - | - |
| Brazil | (R$) | 2.0768 | +0.0446 | 648 - 887 | 2.0923 | 2.0406 | - | - | - | - | - | - |
| Canada | (C$) | 1.6798 | −0.0066 | 787 - 809 | 1.6920 | 1.6751 | 1.6821 | −1.6 | 1.6876 | −1.9 | 1.7118 | −1.9 |
| Mexico | (New Peso) | 11.3825 | −0.0543 | 733 - 916 | 11.4733 | 11.3642 | 11.6521 | −28.4 | 12.1977 | −28.8 | 14.4435 | −26.9 |
| USA | ($) | 1.1287 | −0.0003 | 283 - 290 | 1.1371 | 1.1274 | 1.1302 | −1.6 | 1.1339 | −1.8 | 1.1523 | −2.1 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | |
| Australia | (A$) | 1.7302 | −0.0214 | 287 - 318 | 1.7510 | 1.7263 | 1.7322 | −1.4 | 1.7372 | −1.6 | 1.7618 | −1.8 |
| Hong Kong | (HK$) | 8.7460 | −0.0026 | 430 - 490 | 8.7930 | 8.7430 | 8.7606 | −2.0 | 8.8057 | −2.7 | 9.1074 | −4.1 |
| India | (Rs) | 47.9310 | −0.0106 | 133 - 486 | 48.2983 | 47.8694 | 48.2102 | −7.0 | 48.9097 | −8.2 | 52.4533 | −9.4 |
| Indonesia | (Rupiah) | 9903.92 | +53.3800 | 442 - 343 | 9922.90 | 9735.00 | 10171.55 | −32.4 | 10839.88 | −37.8 | 13164.57 | −32.9 |
| Israel | (Shk) | 4.6159 | +0.0112 | 089 - 228 | 4.6553 | 4.5891 | - | - | - | - | - | - |
| Japan | (Y) | 127.481 | +0.7850 | 386 - 588 | 128.200 | 126.780 | 127.2035 | 2.6 | 126.6142 | 2.7 | 124.0916 | 2.7 |
| Malaysia | (M$) | 4.2889 | +1.8384 | 267 - 305 | 4.3206 | 4.2845 | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.0460 | +0.0007 | 437 - 483 | 2.0607 | 2.0424 | 2.0468 | −0.5 | 2.0505 | −0.9 | 2.0823 | −1.8 |
| Philippines | (Peso) | 43.5660 | −0.0135 | 831 - 488 | 44.0626 | 43.3485 | 43.8043 | −8.3 | 44.6492 | −8.9 | 48.0352 | −10.3 |
| Saudi Arabia | (SR) | 4.2333 | −0.0012 | 317 - 349 | 4.2649 | 4.2287 | 4.2446 | −3.2 | 4.2733 | −3.8 | 4.4022 | −4.0 |
| Singapore | (S$) | 1.9046 | −0.0006 | 034 - 058 | 1.9125 | 1.9048 | 1.9029 | 1.1 | 1.9005 | 0.9 | 1.9027 | 0.1 |
| South Africa | (R) | 6.7719 | −0.0645 | 642 - 796 | 6.8656 | 6.7255 | 6.8398 | −12.0 | 6.9801 | −12.3 | 7.5703 | −11.8 |
| South Korea | (Won) | 1320.63 | −0.8600 | 898 - 228 | 1331.54 | 1331.54 | - | - | - | - | - | - |
| Taiwan | (T$) | 36.4158 | −0.0170 | 651 - 667 | 36.6650 | 36.3530 | 36.6514 | −7.8 | 36.8680 | −5.0 | 37.8687 | −4.0 |
| Thailand | (Bt) | 41.5174 | −0.0018 | 650 - 698 | 41.7847 | 41.4650 | 41.6016 | −2.4 | 41.8514 | −3.2 | 43.4803 | −4.7 |
| UAE | (Dirham) | 4.1454 | −0.0014 | 439 - 468 | 4.3350 | 4.14390 | 4.1513 | −1.7 | 4.1657 | −2.0 | 4.2365 | −2.2 |

Euro Locking Rates: Austrian Schilling 13.7603, Belgian/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT

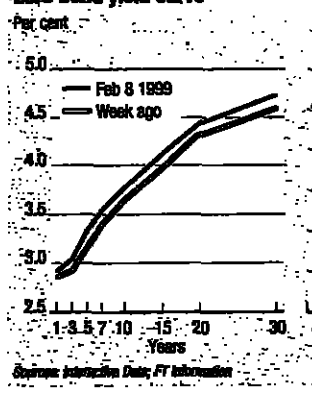
## BONDS

### INTEREST RATE SWAPS

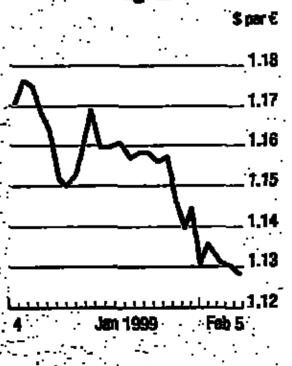
| Feb 05 | Euro-€ Bid | Euro-€ Ask | Euro-L Bid | Euro-L Ask | £ Stlg Bid | £ Stlg Ask | US $ Bid | US $ Ask | Yen Bid | Yen Ask |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 year | 3.07 | 3.10 | 3.07 | 3.10 | 5.30 | 5.33 | 5.17 | 5.20 | 0.47 | 0.52 |
| 2 year | 3.10 | 3.14 | 3.10 | 3.14 | 5.11 | 5.14 | 5.26 | 5.29 | 0.70 | 0.75 |
| 3 year | 3.23 | 3.27 | 3.23 | 3.27 | 5.06 | 5.10 | 5.33 | 5.36 | 1.01 | 1.06 |
| 4 year | 3.38 | 3.42 | 3.38 | 3.42 | 5.02 | 5.06 | 5.39 | 5.42 | 1.28 | 1.33 |
| 5 year | 3.52 | 3.56 | 3.52 | 3.56 | 5.00 | 5.04 | 5.45 | 5.48 | 1.58 | 1.63 |
| 6 year | 3.66 | 3.70 | 3.66 | 3.70 | 5.00 | 5.04 | 5.49 | 5.52 | 1.81 | 1.86 |
| 7 year | 3.79 | 3.83 | 3.79 | 3.83 | 5.00 | 5.04 | 5.54 | 5.57 | 1.99 | 2.04 |
| 8 year | 3.91 | 3.95 | 3.91 | 3.95 | 5.00 | 5.04 | 5.58 | 5.61 | 2.16 | 2.21 |
| 9 year | 4.02 | 4.06 | 4.02 | 4.06 | 5.01 | 5.05 | 5.62 | 5.65 | 2.28 | 2.33 |
| 10 year | 4.11 | 4.15 | 4.11 | 4.15 | 5.02 | 5.06 | 5.65 | 5.68 | 2.39 | 2.44 |
| 12 year | 4.26 | 4.30 | 4.26 | 4.30 | 5.05 | 5.10 | 5.72 | 5.75 | 2.59 | 2.65 |
| 15 year | 4.46 | 4.50 | 4.46 | 4.50 | 5.06 | 5.11 | 5.83 | 5.86 | 2.81 | 2.87 |
| 20 year | 4.67 | 4.71 | 4.67 | 4.71 | 5.08 | 5.14 | 5.93 | 5.96 | 2.99 | 3.05 |
| 25 year | 4.78 | 4.82 | 4.78 | 4.82 | 5.08 | 5.15 | 5.93 | 5.96 | 3.10 | 3.16 |
| 30 year | 4.85 | 4.89 | 4.85 | 4.89 | 5.09 | 5.16 | 5.93 | 5.96 | 3.15 | 3.22 |

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor. Euro quoted on annual bond 30/360 basis against 6 month Euribor and Libor with the exception of the 1 year rate which is quoted against 3 months Euribor and Libor. Source: Intercapital Brokers Ltd.

**Euro bond yield curve**




**Euro against the dollar**




Source: Intercapital, Datastream; FT Information

### EURO-ZONE BONDS

| Feb 05 | Red date | Coupn | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd v Govts |
|---|---|---|---|---|---|---|---|---|
| **SOVEREIGNS** | | | | | | | | |
| UK | 01/01 | 4.250 | AAA | 102.184 | 3.10 | −0.01 | −0.14 | +0.14 |
| Denmark | 01/02 | 4.750 | AA+ | 104.229 | 3.20 | −0.02 | −0.14 | +0.18 |
| Sweden | 02/01 | 5.000 | AA+ | 103.580 | 3.12 | −0.01 | −0.14 | +0.16 |
| Greece | 11/06 | 6.750 | BBB | 115.478 | 4.35 | −0.02 | −0.15 | +0.81 |
| **SUPRANATIONALS** | | | | | | | | |
| ADB | 10/07 | 5.500 | AAA | 106.951 | 4.25 | −0.02 | +0.08 | +0.62 |
| EIB | 04/08 | 5.000 | AAA | 107.757 | 3.97 | −0.04 | +0.05 | +0.26 |
| Eurofima | 12/09 | 5.625 | AAA | 110.664 | 4.37 | −0.03 | +0.03 | +0.59 |
| World Bank | 04/05 | 7.125 | AAA | 118.230 | 3.76 | −0.01 | +0.00 | +0.32 |
| **UTILITIES** | | | | | | | | |
| EDF | 10/03 | 3.750 | n/a | 101.372 | 3.43 | −0.01 | −0.09 | +0.25 |
| TEPCO | 02/03 | 4.750 | AA | 103.666 | 3.75 | −0.02 | −0.06 | +0.57 |
| Quebec Hydro | 03/08 | 5.375 | A+ | 106.263 | 4.52 | −0.03 | −0.05 | +0.81 |
| Norsk Hydro | 10/99 | 7.250 | A | 102.304 | 3.55 | +0.02 | +0.01 | +0.58 |
| **FINANCIALS** | | | | | | | | |
| Bad Wurtt | 02/10 | 5.375 | AAA | 109.308 | 4.29 | −0.04 | +0.02 | +0.44 |
| OKB | 09/07 | 5.750 | AAA | 111.994 | 4.06 | −0.03 | +0.05 | +0.43 |
| Credit Local | 04/08 | 5.250 | AA+ | 107.127 | 4.29 | −0.04 | +0.09 | +0.58 |
| Abbey Natl | 01/09 | 5.000 | AA− | 103.151 | 4.60 | −0.04 | −0.04 | +0.82 |
| **INDUSTRIALS** | | | | | | | | |
| Unilever | 10/01 | 5.125 | AAA | 104.428 | 3.36 | −0.01 | −0.04 | +0.40 |
| McDonalds | 03/08 | 5.125 | AA | 106.401 | 4.26 | −0.03 | +0.33 | +0.55 |
| Philip Morris | 06/08 | 5.625 | A | 106.227 | 4.78 | −0.04 | −0.08 | +1.07 |
| BAT Ind Fin | 07/06 | 5.375 | A− | 102.757 | 4.92 | −0.01 | −0.21 | +1.38 |
| **PFANDBRIEFE** | | | | | | | | |
| Rhein Hypo | 12/01 | 5.500 | n/a | 105.930 | 3.26 | +0.02 | −0.13 | +0.30 |
| Eurohypo AG | 01/04 | 5.000 | n/a | 106.654 | 3.50 | +0.02 | −0.09 | +0.16 |
| Bayer Vereins | 01/06 | 6.000 | n/a | 113.568 | 3.74 | +0.03 | −0.09 | +0.20 |
| Depfa | 07/08 | 4.750 | n/a | 105.548 | 4.03 | +0.02 | −0.07 | +0.32 |
| **HIGH YIELD** | | | | | | | | |
| Geberit | 04/07 | 10.125 | B+ | 109.012 | 8.26 | −0.05 | −0.05 | +4.63 |
| Colt Telecom | 11/07 | 8.875 | n/a | 106.671 | 7.81 | −0.39 | −0.47 | +4.18 |
| Impress Metal | 05/07 | 9.875 | B | 105.015 | 9.00 | −0.05 | +1.30 | +5.37 |
| Remy Cointreau | 07/05 | 10.000 | B+ | 94.659 | 11.18 | −0.04 | +0.30 | +7.74 |

Standard & Poor's ratings. Source: Interactive Data/FT Information.

# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

| | Notes | Price | Wk% ch'nge | Div net | Div cov. | Mkt cap£m | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Allied Domecq | [illegible] | 474xd | [illegible] | [illegible] | 1.5 | [illegible] | 2.11 | 2323 |
| Bulmer (HP) | | 384xd | -.9 | 15.0 | 1.5 | [illegible] | 11.1 | 2005 |
| Burn Stewart | | 14 | -3.4 | – | – | 8.30 | 10.97 | 1518 |
| Diageo | [illegible] | 667½ | -1.6 | [illegible] | 1.5 | 23,701 | 5.10 | [illegible] |
| Glenmorangie A | † | 640 | -3.4 | 14.45 | 2.5 | [illegible] | 21.12 | 3257 |
| B | † | [illegible] | – | 7.22 | 2.5 | 33.1 | 21.12 | [illegible] |
| Highland | | 253½ | 0.4 | [illegible] | 2.3 | [illegible] | 7.12 | [illegible] |
| 5¼pc Cv Sb Bd | | [illegible] | [illegible] | [illegible] | – | [illegible] | 11.1 | 2823 |
| Kirin Y | | [illegible] | 0.1 | [illegible] | 1.7 | 7,708 | 25.12 | 1119 |
| Merrydown | | 28 | -1.8 | – | – | 7.42 | 7.97 | 3352 |
| Seagram C$ | | [illegible] | -1.8 | [illegible] | – | [illegible] | 28.8 | – |

## BANKS, RETAIL

[illegible]

## BREWERIES, PUBS & REST

[illegible]

## BUILDING MATS. & MERCHANTS

[illegible]

## CHEMICALS

[illegible]

## CONSTRUCTION

[illegible]

## CONSTRUCTION - Continued

[illegible]

## DISTRIBUTORS

[illegible]

## DIVERSIFIED INDUSTRIALS

[illegible]

## ELECTRICITY

[illegible]

## ELECTRONIC & ELECTRICAL EQPT

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING - Continued

[illegible]



## ENGINEERING - Continued

[illegible]

## ENGINEERING, VEHICLES

[illegible]

## EXTRACTIVE INDUSTRIES

[illegible]

## FOOD PRODUCERS

[illegible]

## FOOD PRODUCERS - Continued

[illegible]

## GAS DISTRIBUTION

[illegible]

## HEALTH CARE

[illegible]

## HEALTH CARE - Continued

[illegible]

## HOUSEHOLD GOODS & TEXT

[illegible]

## INSURANCE

[illegible]

## INSURANCE - Continued

[illegible]

## INVESTMENT TRUSTS

[illegible]

## INVESTMENT TRUSTS - Continued

[illegible]

## INV TRUSTS SPLIT CAPITAL

[illegible]

# LONDON SHARE SERVICE

## OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

## INVESTMENT COMPANIES

## LEISURE & HOTELS

## LIFE ASSURANCE

## MEDIA

## MEDIA - Continued

## OIL EXPLORATION & PRODUCTION

## OIL, INTEGRATED

## OTHER FINANCIAL

## PAPER, PACKAGING & PRINTING

## PHARMACEUTICALS

## PROPERTY

## PROPERTY - Continued

## RETAILERS, FOOD

## RETAILERS, GENERAL

## SUPPORT SERVICES

## SUPPORT SERVICES - Continued

## TELECOMMUNICATIONS

## TOBACCO

## TRANSPORT

## TRANSPORT - Continued

## WATER

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

## TRADED INDEX SECURITIES

| | Notes | Price | Wk% ch'nge | Div net | Div cov. | Mkt cap£m | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| FTSE 100 TRANS | | [illegible] | — | – | – | – | 14.9 | – |

# AIM

## Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official list

## AIM - Continued

## GUIDE TO LONDON SHARE SERVICE

## FT Share Service

## FT Free Annual Reports Club

## FT Cityline

## The FT web site

# FT MANAGED FUNDS SERVICE



● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

## OFFSHORE AND OVERSEAS

### BERMUDA (FSA RECOGNISED)

### BERMUDA (REGULATED)(**)

### CAYMAN ISLANDS (REGULATED)(**)

### GUERNSEY (REGULATED)(**)

### GUERNSEY (FSA RECOGNISED)

### IRELAND (FSA RECOGNISED)

### IRELAND (REGULATED)(**)

### ISLE OF MAN (FSA RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

Bank of Cyprus Group
1 Hammersmith Place, IFSC Dublin 1 353 16700300
BOC International Fund Management Ltd
BOC Global Equity (a) — 1 8441 - 55815

For Guernsey Ffgs see Investec Guernsey Ffgs

The Halal Mutual Investment Company Plc
18 South Frederick Street, Dublin 2 01780 353 1111 5005
Sterling Portfolio — £250 00 - 57725



Baring Intl Fd Mngrs (Ireland) Ltd

Henderson Crosthwaite Investment Co
32 St Mary at Hill, London, EC3P 3AJ

Herald Investment Fund Plc
12 Charterhouse Sq, London EC1M 6AX 44171 5536300

Offshore Funds and Insurances

# FT MANAGED FUNDS SERVICE

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## JERSEY
### (FSA RECOGNISED)

AIB Fund Managers (CI) Ltd
PO Box 468 St Helier Jersey 01534 883500
AIB Currency Fund Limited

AIB Govett (Channel Islands) Limited (1000)F
AIB Hse, Grenville St, St Helier Jersey 01534 873220

Barclays International Funds
PO Box 152, St Helier, Jersey CI 01534 812700

Mercury Asset Mngt Channel Islands Ltd.

Midland Bank Fund Managers (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.
Moneta Feb 4 816.52 15.84 2.71 45479

Murray Johnstone (Jersey) Limited

Newton Fund Managers (CI) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd
Pacific Fund Feb 3 830.72 32.58 - 45587

Royal Bank of Scotland Fund Managers (CI) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Dresdner RCM Select Fund (u)
14 Rue Aldringen L-1118 Luxembourg 00 352 4790 2020

Dresdnerbank Asset Mngmt SA (u)

EFG Proton Asset Management S.A.

Jupiter Tyndall Global Fund

Schroder International Selection Fd (u)

## LUXEMBOURG
### (FSA RECOGNISED)

## JERSEY
### (REGULATED)(**)

## LUXEMBOURG
### (REGULATED)(**)

## OFFSHORE INSURANCES

# FT MANAGED FUNDS SERVICE



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## OTHER OFFSHORE FUNDS



هكذا من الأصل

Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## EUROPE (EMU) Prices in €

AUSTRIA (Feb 5) 1 € = 13.76030 Sch

BELGIUM/LUX (Feb 5) 1 € = 40.3399 Frs.

FINLAND (Feb 5) 1 € = 5.94573 Mka

FRANCE (Feb 5) 1 € = 6.55957 Frs.

GERMANY (Feb 5) 1 € = 1.95583 Dm.

IRELAND (Feb 5) 1 € = 0.78756 Punt

ITALY (Feb 5) 1 € = 1936.27000 Lire

NETHERLANDS (Feb 5) 1 € = 2.20371 Fl.

PORTUGAL (Feb 5) 1 € = 200.48200 Esc.

SPAIN (Feb 5) 1 € = 166.38600 Pts.

## EUROPE (NON-EMU)

CZECH REP (Feb 5 / Koruna)

DENMARK (Feb 5 / Kr)

GREECE (Feb 5 / Drachma)

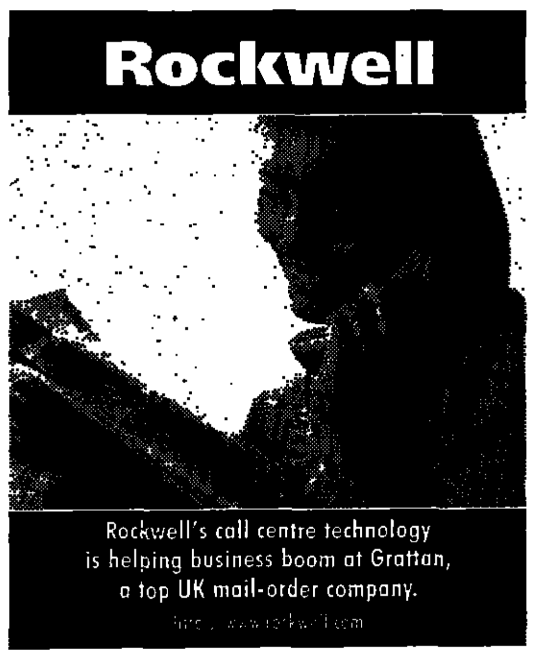
NORWAY (Feb 5 / Kroner)

POLAND (Feb 5 / Zloty)

SWEDEN (Feb 5 / Kronor)

SWITZERLAND (Feb 5 / Frs.)

TURKEY (Feb 5 / TL Lira)




## PACIFIC

JAPAN (Feb 5 / Yen)

HONG KONG (Feb 5 / H.K.$)

INDONESIA (Feb 5 / Rupiah)

MALAYSIA (Feb 5 / MYR)

NEW ZEALAND (Feb 5 / NZ $)

SINGAPORE (Feb 5 / S$)

AUSTRALIA (Feb 5 / Aust$)

SOUTH KOREA (Feb 5 / Won)

TAIWAN (Feb 5 / TW $)

THAILAND (Feb 5 / Baht)

## AMERICAS

CANADA

TORONTO (Feb 5 / Can $) 4 pm close

MONTREAL (Feb 5 / Can $) 4 pm close

MEXICO (Feb 4 / Peso) 4pm close 4/2/99

## AFRICA

SOUTH AFRICA (Feb 5 / Rand)

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | FRIDAY FEBRUARY 5 1999 US Dollar Index | % chg since 31/12/98 | Pound Sterling Index | Yen Index | Euro Index | Local Currency Index | Local % chg from 31/12/98 | Gross Div. Yield | THURSDAY FEBRUARY 4 1999 US Dollar Index | Pound Sterling Index | Yen Index | Euro Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (75) | 217.66 | 9.2 | 198.94 | 155.40 | 222.07 | 221.92 | 2.7 | 3.31 | 216.72 | 198.15 | 153.73 | 221.03 | 223.64 | 219.96 | 163.86 | 209.50 |
| Austria (21) | 176.38 | -4.3 | 158.59 | 125.93 | 158.79 | 158.79 | -0.4 | 2.10 | 174.18 | 157.65 | 123.56 | 156.75 | 158.75 | 253.73 | 165.27 | 202.80 |
| Belgium (22) | 408.84 | -2.4 | 369.93 | 291.90 | 360.36 | 360.36 | 1.5 | 1.87 | 407.87 | 369.17 | 269.33 | 359.38 | 359.38 | 446.95 | 273.16 | 273.16 |
| Brazil (29) | 104.94 | -21.0 | 94.95 | 74.93 | 107.07 | 355.43 | 20.2 | 6.53 | 110.75 | 100.24 | 78.56 | 112.05 | 366.94 | 269.34 | 89.32 | 228.31 |
| Canada (113) | 211.72 | 6.2 | 191.57 | 151.16 | 216.01 | 228.17 | 2.9 | 1.74 | 211.38 | 191.31 | 149.93 | 215.57 | 228.88 | 248.78 | 159.94 | 215.03 |
| Denmark (34) | 473.19 | -5.3 | 428.15 | 337.85 | 482.77 | 423.93 | -2.0 | 1.66 | 474.52 | 429.50 | 336.80 | 483.96 | 425.12 | 537.33 | 420.12 | 488.39 |
| Finland (29) | 999.80 | 4.2 | 842.71 | 428.24 | 663.11 | 663.11 | 8.5 | 1.71 | 614.00 | 555.74 | 435.54 | 678.58 | 678.58 | 661.25 | 312.12 | 316.84 |
| France (73) | 327.54 | 0.1 | 296.37 | 233.86 | 298.61 | 298.61 | 4.2 | 2.10 | 329.27 | 298.03 | 233.57 | 300.08 | 300.08 | 354.45 | 246.64 | 252.18 |
| Germany (58) | 271.81 | -3.3 | 245.94 | 194.06 | 244.87 | 244.87 | 0.7 | 1.34 | 271.66 | 245.89 | 192.71 | 244.66 | 244.66 | 325.61 | 226.35 | 247.28 |
| Greece (36) | 412.06 | 18.5 | 372.84 | 294.20 | 420.40 | 842.44 | 20.6 | 1.01 | 412.73 | 373.57 | 292.77 | 420.94 | 842.50 | 418.59 | 211.47 | – |
| Hong Kong, China (65) | 273.09 | -11.2 | 247.10 | 194.98 | 278.62 | 271.69 | -11.1 | 4.47 | 280.18 | 253.60 | 198.75 | 285.77 | 278.75 | 362.55 | 198.64 | 335.51 |
| Indonesia (24) | 48.42 | -3.4 | 43.81 | 34.57 | 49.40 | 260.66 | 6.6 | 1.17 | 48.95 | 44.30 | 34.72 | 49.92 | 262.00 | 64.52 | 19.04 | 50.41 |
| Ireland (14) | 545.27 | -1.1 | 493.37 | 388.31 | 636.12 | 536.12 | 2.9 | 1.78 | 554.41 | 501.80 | 393.27 | 544.92 | 544.92 | 605.85 | 398.15 | 453.89 |
| Italy (53) | 185.96 | -7.2 | 150.17 | 118.49 | 212.83 | 212.83 | -3.5 | 1.31 | 188.19 | 150.42 | 117.89 | 212.85 | 212.85 | 192.64 | 128.68 | 135.17 |
| Japan (445) | 100.05 | -0.4 | 90.63 | 71.48 | 102.08 | 71.43 | -0.3 | 1.05 | 101.25 | 91.65 | 71.82 | 103.27 | 71.82 | 109.73 | 78.88 | 107.95 |
| Mexico (29) | 1149.78 | 0.7 | 1040.34 | 820.91 | 1173.05 | 12677.91 | 2.7 | 2.02 | 1144.67 | 1036.06 | 811.98 | 1167.44 | 12677.91 | 1733.73 | 787.15 | 1618.15 |
| Netherlands (26) | 500.25 | -5.5 | 452.63 | 357.16 | 445.79 | 445.79 | -1.7 | 2.12 | 494.59 | 447.66 | 350.84 | 440.60 | 440.60 | 562.73 | 394.92 | 425.88 |
| New Zealand (18) | 67.28 | 14.0 | 60.88 | 48.04 | 68.65 | 64.77 | 9.2 | 4.51 | 67.85 | 61.23 | 47.99 | 69.00 | 65.08 | 77.84 | 45.68 | 75.48 |
| Norway (37) | 240.39 | 9.5 | 217.51 | 171.63 | 245.26 | 250.12 | 10.2 | 2.30 | 239.41 | 216.69 | 169.82 | 244.17 | 248.89 | 357.71 | 181.86 | 305.67 |
| Philippines (22) | 86.62 | -4.1 | 78.37 | 61.84 | 88.37 | 166.62 | -4.9 | 0.98 | 86.78 | 78.54 | 61.55 | 88.50 | 166.98 | 108.98 | 42.48 | 87.72 |
| Portugal (18) | 261.77 | 1.8 | 236.85 | 186.89 | 318.25 | 318.25 | 6.0 | 1.03 | 261.36 | 236.56 | 185.40 | 317.66 | 317.68 | 299.39 | 194.13 | – |
| Singapore (40) | 199.44 | -7.8 | 180.45 | 142.39 | 208.47 | 155.09 | -5.7 | 1.83 | 202.02 | 182.85 | 143.31 | 208.04 | 157.10 | 248.74 | 102.45 | 215.61 |
| South Africa (36) | 197.32 | 7.0 | 178.54 | 140.88 | 201.32 | 258.77 | 9.2 | 3.47 | 191.24 | 173.09 | 135.65 | 195.04 | 253.10 | 346.20 | 151.55 | 281.04 |
| Spain (30) | 384.36 | -3.9 | 347.78 | 274.42 | 429.28 | 428.28 | 0.0 | 1.88 | 386.01 | 349.35 | 273.82 | 430.95 | 430.95 | 435.19 | 290.81 | 305.43 |
| Sweden (43) | 547.34 | 9.0 | 495.24 | 390.78 | 558.42 | 635.54 | 6.5 | 1.83 | 546.56 | 494.70 | 387.71 | 557.44 | 636.80 | 628.19 | 379.18 | 490.74 |
| Switzerland (30) | 402.54 | -2.9 | 364.23 | 287.40 | 410.69 | 353.63 | 0.1 | 1.21 | 402.45 | 364.27 | 285.49 | 410.47 | 353.73 | 441.65 | 307.73 | 371.28 |
| Thailand (31) | 21.20 | -10.6 | 19.18 | 15.14 | 21.63 | 30.27 | -9.5 | 2.92 | 20.94 | 18.95 | 14.85 | 21.36 | 29.89 | 33.84 | 8.15 | 30.27 |
| United Kingdom (201) | 373.95 | -1.1 | 338.38 | 266.99 | 381.52 | 338.36 | 0.4 | 2.88 | 378.77 | 342.83 | 268.68 | 386.30 | 342.83 | 401.84 | 307.96 | 361.27 |
| USA (613) | 511.44 | 0.9 | 462.78 | 365.15 | 521.80 | 511.44 | 0.9 | 1.28 | 515.46 | 466.57 | 365.66 | 525.74 | 515.48 | 527.72 | 390.12 | 409.69 |
| Americas (784) | 454.23 | 1.0 | 410.99 | 324.30 | 463.42 | 385.46 | 1.0 | 1.32 | 457.72 | 414.29 | 324.89 | 466.83 | 368.46 | 467.90 | 347.59 | 371.11 |
| Europe (722) | 354.33 | -1.8 | 320.61 | 252.98 | 361.51 | 328.93 | 0.9 | 2.06 | 355.95 | 322.18 | 252.50 | 363.03 | 330.47 | 386.24 | 262.68 | 312.56 |
| Eurobloc (341) | 102.72 | -3.1 | 92.95 | 73.34 | 100.16 | 100.16 | -3.5 | 1.73 | 102.80 | 93.05 | 72.92 | 100.20 | 100.20 | 113.92 | 81.53 | – |
| Nordic (143) | 513.07 | 5.3 | 464.24 | 366.32 | 523.48 | 517.82 | 6.9 | 1.80 | 515.94 | 466.98 | 365.98 | 528.20 | 521.36 | 555.97 | 360.04 | 432.91 |
| Pacific Basin (721) | 107.52 | -0.5 | 97.28 | 76.77 | 109.89 | 79.73 | -1.0 | 1.57 | 108.73 | 98.42 | 77.13 | 110.90 | 80.31 | 119.49 | 82.88 | 116.81 |
| Euro-Pacific (1449) | 210.10 | -1.4 | 190.10 | 150.00 | 214.35 | 173.83 | 0.4 | 1.92 | 211.47 | 191.40 | 150.00 | 215.67 | 174.27 | 221.79 | 168.00 | 198.48 |
| North America (726) | 491.26 | 1.1 | 444.50 | 350.75 | 501.21 | 491.93 | 1.0 | 1.30 | 494.96 | 448.01 | 351.11 | 504.82 | 495.74 | 508.43 | 374.92 | 397.21 |
| Europe Ex. UK (521) | 332.25 | -2.2 | 300.83 | 237.22 | 338.97 | 314.18 | 1.2 | 1.66 | 332.42 | 300.88 | 235.80 | 339.09 | 314.33 | 388.32 | 260.93 | 279.58 |
| Europe Ex. Eurobloc (381) | 96.49 | -0.5 | 87.31 | 68.89 | 98.45 | 96.88 | 1.0 | 2.40 | 97.32 | 88.08 | 69.03 | 99.25 | 97.56 | 103.93 | 77.40 | – |
| Europe Ex. UK Ex. Eurobloc (180) | 99.06 | 0.8 | 89.85 | 70.74 | 101.09 | 98.33 | 2.4 | 1.41 | 99.05 | 89.85 | 70.26 | 101.02 | 98.40 | 109.21 | 75.16 | – |
| Pacific Ex. Japan (276) | 180.40 | -0.8 | 183.23 | 128.80 | 184.05 | 181.25 | -3.4 | 3.60 | 181.94 | 164.68 | 128.06 | 185.56 | 183.65 | 218.04 | 128.28 | 201.31 |
| World Ex. Eurobloc (1922) | 105.28 | 0.5 | 95.26 | 75.16 | 107.41 | 103.60 | 0.8 | 1.58 | 106.14 | 96.07 | 75.29 | 108.25 | 104.41 | 108.05 | 83.09 | – |
| World Ex. US (1650) | 209.62 | -1.2 | 189.67 | 149.66 | 213.67 | 178.44 | 0.7 | 1.84 | 210.89 | 190.88 | 149.58 | 215.08 | 179.37 | 221.91 | 165.93 | 201.36 |
| World Ex. UK (2062) | 300.42 | 0.1 | 271.83 | 214.49 | 308.50 | 268.31 | 0.8 | 1.44 | 302.34 | 273.66 | 214.48 | 309.35 | 269.89 | 311.48 | 236.11 | 259.62 |
| World Ex. Japan (1818) | 409.85 | 0.0 | 370.66 | 292.48 | 417.98 | 401.26 | 0.9 | 1.65 | 412.31 | 373.18 | 292.47 | 420.51 | 403.98 | 427.99 | 320.58 | 348.64 |
| The World Index (2253) | 308.79 | -0.1 | 277.59 | 219.04 | 313.00 | 274.84 | 0.8 | 1.39 | 309.95 | 279.63 | 219.15 | 315.10 | 276.66 | 318.51 | 242.38 | 268.20 |

 CONSTITUENT CHANGES DURING THE WEEK ENDING 5/2/99: Deletion: BTR (UK); ...

## Emerging markets:

### IFC investable indices

Dollar terms

| Feb 04 Market | | Day's chg % | % Chg since 31/12/98 |
|---|---|---|---|
| **Latin America** | | | |
| Argentina | 767.25 | -0.7 | -3.8 |
| Brazil | 231.17 | -0.9 | -16.0 |
| Chile | 442.82 | +0.6 | -1.9 |
| Colombia[1] | 334.20 | +0.1 | -23.9 |
| Mexico | 483.71 | -1.1 | +0.4 |
| Peru[2] | 132.57 | -0.0 | -1.3 |
| Venezuela[3] | 385.38 | -0.0 | -15.0 |
| **East Asia** | | | |
| China[4] | 21.83 | -0.8 | -16.6 |
| India[7] | 67.83 | -1.2 | +5.7 |
| Indonesia[8] | 22.95 | -3.8 | -5.2 |
| Korea[5] | 51.41 | -0.5 | -3.0 |
| Malaysia | 89.88 | +2.1 | +1.8 |
| Pakistan[6] | 79.74 | -3.9 | -15.7 |
| Philippines | 119.94 | -1.5 | -2.6 |
| Sri Lanka[10] | 73.49 | -0.0 | -10.8 |
| Taiwan, China[6] | 103.49 | -3.9 | -10.6 |
| Thailand | 58.88 | -0.1 | -6.8 |
| **Europe** | | | |
| Czech Rep | 46.63 | +0.7 | -8.1 |
| Greece | 737.34 | -1.2 | +19.1 |
| Hungary[11] | 298.15 | +1.8 | +8.5 |
| Poland[12] | 583.17 | +2.3 | +7.6 |
| Portugal | 296.46 | -0.3 | +1.5 |
| Russia | 23.00 | +3.0 | -1.9 |
| Slovakia | 44.58 | -0.7 | +2.2 |
| Turkey[14] | 148.18 | +4.2 | +1.3 |
| **Mideast/Africa** | | | |
| Egypt | 77.84 | -1.3 | +20.8 |
| Israel | 102.24 | +0.5 | |
| Jordan | 227.50 | -0.1 | +5.1 |
| Morocco | 174.40 | -0.7 | +4.0 |
| S Africa[13] | 132.48 | +0.6 | +5.8 |
| Zimbabwe[13] | 111.20 | +1.0 | +5.6 |
| **Regions** | | | |
| Composite | 184.06 | -0.5 | -1.4 |
| Latin America | 391.65 | -0.6 | -6.7 |
| Asia | 100.41 | -1.8 | -6.2 |
| EMEA | 122.06 | +0.4 | +6.8 |
| Europe | 161.77 | +0.4 | +6.0 |
| Eastn Europe | 60.00 | +1.9 | +3.2 |
| ME & Africa | 58.54 | +0.4 | +5.4 |
| Comp + Malay | 187.18 | -0.4 | -1.2 |
| Asia + Malay | 103.14 | -1.0 | -4.6 |

Base date: Dec 1988=100 except those stated which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jun 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; ...

4 pm close February 5

# NEW YORK STOCK EXCHANGE PRICES

| 1998/99 High | Low | Stock | Div | Yld % | P/E | Vol 100s | High | Low | Close Price | Chng Prev Close |
|---|---|---|---|---|---|---|---|---|---|---|
| - A - | | | | | | | | | | |
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*Price data supplied by Extel, part of FT information.*

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. pp-plain. z-sales in full.
‡ Dealings suspended.



هكذا من الأصل

# GLOBAL EQUITY MARKETS

## US INDICES

| Dow Jones | Feb 5 | Feb 4 | Feb 3 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 9304.24 | 9304.50 | 9366.81 | 9643.32 (8/1/99) | 7539.07 (31/8/98) | 9643.32 (8/1/99) | 41.22 (8/7/32) |
| Home Bonds | 105.89 | 105.81 | 106.15 | 107.17 (9/12/98) | 104.42 (11/5/98) | 107.17 (9/12/98) | 54.99 (1/10/81) |
| Transport | 3247.88 | 3247.14 | 3225.34 | 3686.02 (16/4/98) | 2345.00 (8/10/98) | 3686.02 (16/4/98) | 13.23 (8/7/32) |
| Utilities | 293.60 | 291.29 | 294.95 | 328.51 (8/10/98) | 262.66 (9/1/98) | 320.51 (8/10/98) | 16.53 (8/7/32) |

DJ Ind. Day's High 9457.43 (9511.50) Low 9141.27 (9178.60) (Theoretical) Day's high 9347.24 (9387.98) Low 9247.34 (9274.88) (Actual)

| Standard and Poors | Feb 5 | Feb 4 | Feb 3 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 1239.40 | 1248.49 | 1272.07 | 1279.64 (29/1/99) | 927.69 (9/1/98) | 1279.64 (29/1/99) | 4.40 (1/6/32) |
| Industrials‡ | 1506.44 | 1518.55 | 1547.71 | 1551.65 (29/1/99) | 1077.40 (9/1/98) | 1551.65 (29/1/99) | 3.52 (30/6/32) |
| Financial‡ | 128.27 | 127.14 | 129.80 | 147.89 (14/7/98) | 95.80 (8/10/98) | 147.89 (14/7/98) | 7.13 (4/9/74) |
| **Others** | | | | | | | |
| NYSE Comp. | 587.29 | 591.05 | 598.58 | 611.98 (8/1/99) | 477.20 (8/10/98) | 611.08 (8/1/99) | 4.64 (25/4/42) |
| Amex Comp | 706.26 | 707.12 | 713.27 | 753.67 (22/4/98) | 583.75 (8/10/98) | 753.67 (22/4/98) | 524.20 (18/7/96) |
| NASDAQ Cmp | 2373.82 | 2410.87 | 2493.41 | 2510.09 (1/2/99) | 1419.12 (8/10/98) | 2510.09 (1/2/99) | 54.87 (3/10/74) |
| Russell 2000 | 412.72 | 417.79 | 423.74 | 491.41 (21/4/98) | 310.28 (8/10/98) | 491.41 (21/4/98) | 123.36 (7/12/93) |

### RATIOS

| | Jan 29 | Jan 22 | Jan 15 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.64 | 1.67 | 1.64 | 1.74 |
| | Feb 3 | Jan 27 | Jan 20 | Year ago |
| S & P Ind. Div. yield | 1.10 | 1.12 | 1.12 | 1.43 |
| S & P Ind. P/E ratio | 39.55 | 38.57 | 36.80 | 27.31 |

## US DATA

### MARKET ACTIVITY

### NYSE TRADING ACTIVITY

### ACTIVE STOCKS

| Friday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| DellComp | 35,538,700 | 100½ | −1⅜ |
| Intel | 33,725,300 | 127⅛ | −2⅛ |
| Micsft | 31,945,800 | 159 | +⅞ |
| CiscoSys | 27,111,500 | 101¼ | −4 |
| AppMat | 13,969,200 | 60⅞ | −1⅛ |
| Oracle | 13,348,000 | 58⅛ | −2¼ |
| Sunmic | 12,318,400 | 160⅛ | −2⅛ |
| E trade | 11,887,100 | 48⅞ | −4⅛ |
| 3Com | 11,844,500 | 34⅛ | |
| AscendCom | 11,302,700 | 74⅛ | −4¼ |

### NASDAQ TRADING ACTIVITY

### BIGGEST MOVERS

| Friday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| ASETest | 44⅝ | +6⅞ | +18.1 |
| CotSmSP | 17⅛ | +2⅛ | +14.3 |
| AedTch | 32 | +3½ | +12.3 |
| Newprt Cp | 16⅛ | +1½ | +10.1 |
| **Downs** | | | |
| AmerTrade | 95⅝ | −15⅛ | −13.8 |
| Energis | 119 | −18⅛ | −13.5 |
| HrySch | 35⅞ | −5⅛ | −13.3 |
| Caldre | 33⅛ | −4⅛ | −11.2 |

Dow Jones

FTSE Eurotop 300

## JAPAN

## FRANCE

## GERMANY

### ACTIVE STOCKS

| Friday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Dt Tel | 524,548 | 39 | −0.8 |
| Bayer | 468,158 | 32.25 | +0.2 |
| DaimCh | 331,413 | 87.8 | −0.6 |
| Dt Bk | 298,035 | 48.6 | +0.3 |
| Veba | 267,354 | 47.1 | −0.95 |
| Siemens | 240,187 | 62.9 | +0.9 |
| Mnelg | 232,730 | 15.9 | +1.3 |
| BertlV | 230,823 | 21.5 | |
| BASF | 208,158 | 32.15 | +0.15 |
| Luftn | 200,505 | 18.8 | |

### BIGGEST MOVERS

| Friday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| RinkePf | 74.2 | +7.6 | +11.4 |
| Grnbm | 14.9 | +1.4 | +10.4 |
| Mielg | 15.9 | +1.3 | +8.9 |
| DEPFA | 80 | +6.2 | +8.4 |
| **Downs** | | | |
| Sixt | 56 | −4.5 | −7.6 |
| Metro1 | 37.5 | −1.75 | −4.5 |
| RWE Pf | 24.5 | −0.75 | −3.0 |
| Phoenx | 16.5 | −0.5 | −2.9 |

## UK

### ACTIVE STOCKS

| Friday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Freepages | 30,894,690 | 32½ | −¼ |
| Shell | 28,912,150 | 334½ | +11½ |
| Billiton | 24,871,630 | 115½ | +3¾ |
| Thomson Tel | 20,744,120 | 155½ | +17½ |
| Sainsbury (J) | 19,765,750 | 393 | −36 |
| Tesco | 18,908,950 | 181¾ | −5¾ |
| Br Steel | 17,831,250 | 129½ | +½ |
| BG | 16,280,010 | 380½ | +19 |
| LucasVarity | 15,103,560 | 290¾ | −1½ |
| TeleWest | 14,450,000 | 249½ | −2½ |

### BIGGEST MOVERS

| Friday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Dewson Int | 17 | +5 | +41.7 |
| Bula Res | 1½ | +¼ | +25.0 |
| Rhe Grp | 35½ | +8 | +29.3 |
| Wyko Grp | 94 | +13 | +16.1 |
| **Downs** | | | |
| On-Line | 112½ | −20 | −15.1 |
| Bridgend Grp | 6½ | −1 | −13.3 |
| Waterman Prt | 67½ | −9 | −11.8 |
| Stanley | 71½ | −9½ | −11.7 |

## INDEX FUTURES

| S&P 500 | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 1257.30 | 1243.50 | −15.80 | 1261.90 | 1236.00 | 117,705 | 380,732 |
| Jun | 1270.50 | 1255.20 | −15.90 | 1271.00 | 1248.00 | 1,132 | 9,133 |
| **Nikkei 225** | **Open** | **Sett price** | **Change** | **High** | **Low** | **Est. vol.** | **Open int.** |
| Mar | 13970.0 | 13790.0 | −360.0 | 14040.0 | 13750.0 | 34,338 | 192,498 |
| Jun | 13970.0 | 13850.0 | −350.0 | 13970.0 | 13850.0 | 324 | 32,958 |

Open interest figures for previous day.

| CAC-40 (200 x index) | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Feb | 4167.0 | 4179.0 | +5.0 | 4234.0 | 4128.0 | 63,155 | 112,215 |
| Mar | 4178.0 | 4186.5 | +5.5 | 4232.0 | 4136.0 | 1,250 | 81,651 |
| **DAX** | | | | | | | |
| Mar | 5010.0 | 5115.0 | +40.5 | 5119.0 | 4991.0 | 46,619 | 189,340 |
| Jun | 5041.5 | 5144.0 | +22.0 | 5133.0 | 5033.0 | 1,365 | 58,977 |

| OMX | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Feb | 736.00 | 740.00 | −1.75 | 750.00 | 736.00 | 17,788 | 178,941 |
| Mar | 738.00 | 745.50 | +5.50 | 746.25 | 738.00 | 364 | 1,298 |
| **EUREX** | | | | | | | |
| Mar | 7118.0 | 7145.0 | +4.0 | 7212.0 | 7083.0 | 23,917 | 129,784 |
| Jun | 7098.0 | 7091.0 | −13.0 | 7130.0 | 7068.0 | 314 | 3,962 |

## WORLD MARKETS AT A GLANCE

| Country | Index | Feb 5 | Feb 4 | Feb 3 | 1998/99 High | 1998/99 Low | Yield | P/E |
|---|---|---|---|---|---|---|---|---|
| Argentina | General | 16603.85 | 16581.53 | 16647.51 | 23485.50 23/3/98 | 12393.10 10/9/98 | 4.26 | 12.1 |
| *A slow session as investors awaited news out of Brazil on an IMF support package.* | | | | | | | | |
| Australia | All Ordinaries | 2911.9 | 2940.5 | 2918.2 | 2940.50 4/2/99 | 2458.20 1/9/98 | 2.97 | 23 |
| | All Mining | 581.7 | 576.2 | 573.5 | 713.18 23/4/98 | 499.80 31/8/98 | | |
| *Fell with bonds as A$ rallied to nine-month high. General Industrials were broadly weaker, resources hardened.* | | | | | | | | |
| India | BSE Sens. | 3215.35 | 3236.42 | 3277.57 | 4280.96 21/4/98 | 2764.16 20/10/98 | | |
| | Crisil 500 | 659.01 | 652.79 | 662.00 | 815.62 21/4/98 | 557.86 20/10/98 | na | na |
| *Finished lower as traders squared positions at the end of the account.* | | | | | | | | |
| Indonesia | Jakarta Comp. | 405.55 | 409.02 | 410.55 | 554.19 2/2/98 | 256.83 21/9/98 | 2.43 | 20.2 |
| Portugal | BVL 30 | 5065.04 | 5055.33 | 5045.27 | 6178.89 22/4/98 | 3598.08 2/10/98 | 2 | 27.7 |
| | PSI 20 | 11708.37 | 11874.03 | 11660.53 | 14293.08 22/4/98 | 8114.51 2/10/98 | | |
| *Banco Mello and insurance group Imperio the main focus on rumours of possible link-up.* | | | | | | | | |
| Russia | RTS | 55.68 | 55.96 | 55.29 | 411.61 5/1/98 | 38.53 5/10/98 | na | na |
| *Broad market ended lower. Gazprom lumped 4.9 per cent.* | | | | | | | | |

# THE NASDAQ-AMEX MARKET GROUP

4 pm close February 5

## AMEX

4 pm close February 5

## EASDAQ

# FT GUIDE TO THE WEEK

## MONDAY 8

### Cross-border tax threat

Plans to introduce a European Union-wide system for taxing cross-border savings which have alarmed international bond markets will be considered by the European Parliament at its week-long meeting in Strasbourg. Although amendments seeking to exempt bonds from the directive were rejected in committee, there was backing to cut the rate of tax from 20 to 15 per cent. On Tuesday parliament gives a first reading to a proposed directive on copyright and the internet. A particular issue is whether private copying of a new CD from the internet should be allowed and more than 350 recording artists from across Europe have petitioned the parliament, seeking an extension of copyright law to protect music on digital delivery systems. MEPs will also consider legislation to cut air and water pollution and police genetically-modified products.

### EU budget reform

European Union economics and finance ministers will try to make progress on reform of the EU's finances as part of the ambitious Agenda 2000 negotiation that is due to be completed at a special summit of leaders in Berlin in March. The Ecofin council meeting in Brussels will also review the economic and budgetary policies of Italy, Portugal, Sweden and the UK in the light of the European Commission's criticism of Italy and Portugal last week.

### Northern highlights

The Nordic Council and the Baltic Assembly hold a joint conference in Helsinki on topics including the European Union's Northern Dimension policy, crime and security.

### EU-ACP conference

A European Union-African, Caribbean and Pacific (ACP) countries ministerial conference is scheduled to be held in Dakar.

### Fighting water stress

The search for solutions to the world's water crisis is the focus of a conference in Geneva sponsored by the United Nations Educational, Scientific and Cultural Organisation and the World Meteorological Organisation. By 2025, according to WMO, the number of countries suffering from "water stress" will rise to 34 from 29, and the number of people affected will be at least five times today's 132m. Future vulnerable regions include the Pacific coast of the US and South America.

Food experts meet in Brussels on Wednesday to discuss plans to send 100,000 tonnes of pigmeat to Russia as food aid following a period of chronic over-production

### College discussion

Plans for an independent Hungarian-language university in Romania will be on the agenda when Radu Vasile, the prime minister of Romania, is scheduled to visit Hungary for talks with his counterpart in Budapest, Viktor Orban.

### Holiday

Slovenia.

## TUESDAY 9

### Bad blood trial

Former French prime minister Laurent Fabius, former social affairs minister Georgina Dufoix, and former health minister Edmond Hervé go on trial charged with involuntary homicide in connection with the deaths of seven people who received blood contaminated with the HIV virus. The accused served in the Socialist government from 1984-86 under President François Mitterrand.

### German pay demand

IG Metall, the largest trade union in Germany, holds the next round of talks on its pay demand in the south-western city of Nordwuerttemberg-Nordbaden. On February 3, IG Metall rejected a 2.3 per cent offer from engineering industry leaders as "ridiculous". The union wants a 6.5 per cent average wage increase. Unless there is progress, it plans to begin strikes on February 11.

### Clinton goes south

Bill Clinton, the US president, visits Mexico and Central America for talks with Central American leaders to discuss plans for the long-term recovery of the region after Hurricane Mitch, which killed at least 9,000 people and caused more than $5bn in damage.

### Biodiversity talks

Delegates from 170 countries attend the opening of a two-week meeting in Cartagena, Colombia, on biodiversity.

### FT Surveys

Business of Travel; Business Books (UK editions only).

### Holiday

Lebanon.

## WEDNESDAY 10

### Pig population

A European Union meeting of national experts on pigmeat production is scheduled to take place in Brussels. Chronic overproduction has seen prices fall by 26 per cent since August. The EU has three times raised export subsidies and now plans to send an extra 100,000 tonnes of pigmeat to Russia as food aid. France would prefer a compulsory piglet slaughter scheme but this is opposed by Spain, Ireland, the UK and Denmark.

### German tour

Dominique Strauss-Kahn, the French finance minister, starts a three-day tour of eastern Germany as part of efforts to expand German-Franco relations. He will meet local political leaders and speak in Berlin and Dresden.

### Y2K assistance

A team of military computer experts from the US is scheduled to visit Russia. They are to assist the defence ministry in Moscow in dealing with the Year 2000 computer problem. The team is expected to visit strategic missile sites and early warning stations ahead of talks on financial aid to solve the problem.

### Summit in the sun

The Group of 15 developing countries holds its summit meeting in Kingston, Jamaica (to February 12).

### Korean questions

Masahiko Komura, Japan's foreign minister, is expected to make a two-day trip to South Korea. He will discuss overall issues between the two countries as well as North Korean issues such as its missile development and suspected underground nuclear site.

### Holiday

Malta.

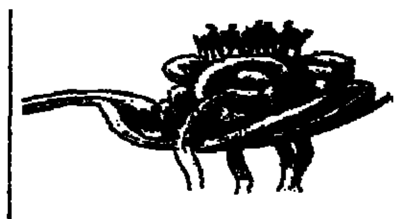
## THURSDAY 11

### Opening up finance

World Trade Organisation members meet in Geneva to decide when to bring into force a global pact opening up banking, insurance and securities services to foreign competition. The 53 countries (including 14 of the 15 EU member states) that have ratified the deal are expected to go ahead with the original plan for entry into force on March 1, despite delays in ratification by the remaining 17 countries that signed the pact in December 1997. The laggards, which include Luxembourg, Brazil and Australia, will be given more time to join.

### Olympic inquiry

The inquiry panel set up to investigate allegations of bribery by members of the Salt Lake Olympic Committee is scheduled to start work. SLOC staff are accused of bribing International Olympics Committee officials.



### Noodle summit

The world's leading makers of instant noodles are scheduled to meet in the Indonesian resort of Bali for their second world summit. The noodle producers, from China, Japan, South Korea, Thailand and Taiwan, will discuss the possible adoption of common standards.

### Holidays

Japan, Taiwan, Cameroon, Liberia.

## FRIDAY 12

### Impeachment vote

The US Senate is expected to take its final vote in the impeachment trial of president Bill Clinton.

### Holiday

Taiwan.

## SATURDAY 13

### Peace negotiations

The Colombian government will open peace talks in Antioquia Province with representatives of the Cuban-inspired National Liberation Army, Colombia's second largest rebel group.

### Middle East tour

Joschka Fischer, German foreign minister, and Miguel Moratinos, the European Union envoy to the Middle East, start a two-day visit to Cairo for talks with Egyptian president Hosni Mubarak, as part of a six-nation Middle East tour (to February 14).

### FT Survey

The UK plc Awards ( UK editions only).

### Holiday

Taiwan.

## SUNDAY 14

### Bridging the gulf

The foreign ministers of Slovenia and Croatia, Boris Frlec and Mate Granic, are expected to meet to discuss the issues that have hampered bilateral relations since the two countries seceded from Yugoslavia in 1991. These include agreeing the two countries' frontier and the management of a jointly-owned nuclear power plant at Krsko.

*Compiled by Roger Beale*
*Fax 44 171 873 3196*

# ECONOMIC DIARY

### Other economic news

**Monday:** UK manufacturing *output is thought to have* fallen about 0.25 per cent in December from the previous month, leaving production for the fourth quarter as a whole down by a little over 1 per cent. Producer output price inflation has remained subdued. German industrial *production is expected to* have fallen 0.5 per cent in December, the first monthly and annual decline in 1998.
**Wednesday:** The Bank of England publishes its latest quarterly inflation report. With activity slowing and inflation pressures diminishing, HSBC expects UK interest rates to fall to 5 per cent by the summer, following last week's half percentage point cut to 5.5 per cent. Germany's trade balance should have ended 1998 with a December surplus of DM12.0bn.
**Thursday:** US jobless claims *may have risen by about* 300,000 in the week to Jan 30. Retail sales are believed to have been robust in January, growing 0.4 per cent from December.
**Friday:** The Bank of Japan is expected to leave its official discount rate unchanged.

### Statistics to be released this week

| Day Released | Country | Economic Statistic | Median Forecast | Previous Actual | Day Released | Country | Economic Statistic | Median Forecast | Previous Actual |
|---|---|---|---|---|---|---|---|---|---|
| Mon | China | Jan industrial output | | 9.4% | | N'lands | Dec industrial productivity** | 0.3% | -1.8% |
| Feb 8 | UK | Dec industrial production | 0.6% | 0.9% | | China | Jan trade balance | | $2.3bn |
| | UK | Dec Manufacturing output** | -0.6% | -0.2% | | US | Jan retail sales | 0.3% | 0.8% |
| | UK | Jan producer price index input** | -7.2% | -8.9% | | US | Jan retail sales ex-auto | 0.5% | 0.4% |
| | UK | Jan producer price index output** | 0.1% | 0.0% | | US | Initial claims Jan 6 | 300,000 | 292,000 |
| | Germany | Dec manufacturing output* | -0.5% | -2.4% | | US | State benefits Jan 30 | | 2.178m |
| | Germany | Dec industrial production west* | | -2.2% | | US | M2 – Week ended Feb 1 | $11.5bn | -$1.6bn |
| | Germany | Dec industrial production east* | | -2.5% | | US | Jan monthly M2 | $26.5bn | $39.1bn |
| | Canada | Jan housing starts | 136,000 | 143,000 | Fri | Australia | Dec housing finance | 0.5% | 6.2% |
| Tues | Japan | Dec overall pers' consumer expend** | | 1.3% | Feb 12 | France | Nov current account | FFr17bn | FFr24.3bn |
| Feb 9 | Germany | Jan unemployment | -5,000 | 34,000 | | Italy | Nov industrial orders** | -1.0% | -6.8% |
| | China | Jan retail price index** | | -2.6 | | Italy | Nov industrial turnover** | -0.4% | -5.3% |
| | China | Jan consumer price index** | | -0.6% | | US | Dec business inventories | -0.2% | 0.4% |
| | US | BTM-Schroders Jan 6 | | 1.0% | | Canada | Dec motor vehicle sales* | 0.4% | 6.2% |
| | US | Q4 Productivity preliminary | 3.8% | 3.0% | | France | Jan Foreign exchange reserves | | FFr417bn |
| | US | Redbook Jan 6 | | 2.0% | | US | Jan Bank credit | | 5.8% |
| | Argentina | Dec trade balance | -$488m | -$700m | | US | Jan C&I loans | | -2.7% |
| | Argentina | Dec exports | | $1.889bn | During the week... | | | | |
| Weds | Germany | Dec trade balance | DM12.5bn | DM16.7bn | | Brazil | Dec industrial production** | -7.5% | -2.6% |
| Feb 10 | Germany | Dec current account | DM4.3bn | DM8.3bn | | Argentina | Q4 total public debt | $11.5bn | $105bn |
| | US | Dec wholesale inventories | | 0.6% | | Brazil | Nov nominal deficit as %GDP | | -7.45% |
| | US | Dec wholesale sales | | 0.3% | | Brazil | Nov primary surplus as %GDP | | -0.26% |
| Thurs | China | Dec foreign exchange reserves | | $145bn | | Japan | Dec current account | Y1,500bn | Y1,290bn |
| Feb 11 | Australia | Jan unemployment rate | 7.7% | 7.5% | | Japan | Dec trade balance | | Y1,420bn |
| | Australia | Q4 AWOTE (Wages) (Preliminary) | 0.4% | 1.8% | | | | | |

*month on month, **year on year

*Statistics, courtesy Standard & Poor's MMS.*

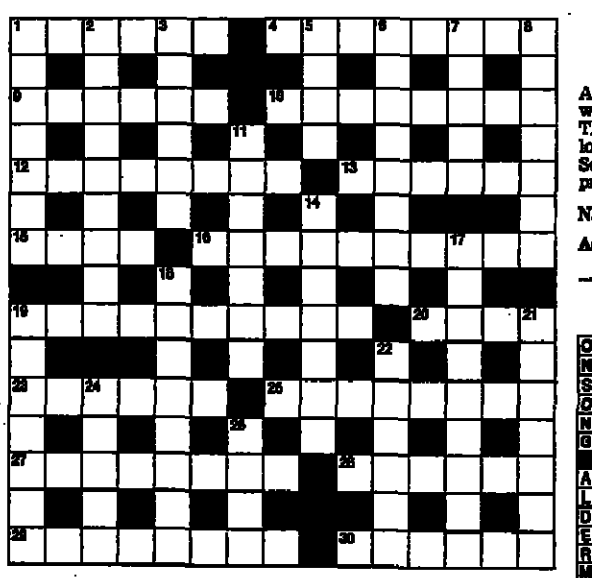


### ACROSS

1 Sound of water? (6)
4 Sad passage to quote in turn (8)
9 It introduces a wrong denial (4-2)
10 Abuse found in rapid dispensing of drugs (8)
12 Stranger dismissed – rides off (8)
13 Oral agreement for a rise (6)
15 Act of revolution (4)
16 Censorious writer (4,6)
19 A spell of darkness? (5,5)
21 Crack shot (4)
23 False arrest of French intellectual (6)
25 Odd number (8)
27 Fancies a drink when in semi-retirement (8)
28 Garment out of kilter (6)
29 They lack co-ordination, these problem children (8)
30 Official statement about harbour (6)

### DOWN

1 Drop in radioactivity? (4,3)
2 Upset pudding leads to a riot breaking out in foreign restaurant (9)
3 Dress I put on about spring (6)
5 Yearn for a clear-headed man (4)
6 An idiot races round and causes trouble (8)
7 Wagon overturned on eastern trail (5)
8 Futuristic ball (7)
11 He will act badly, being a spiteful person (7)
14 It's not profitable to make (7)
17 Venetian painter on a cattle round-up (9)
18 A short-lived engagement (8)
19 Savage blast that is dispersing (7)
21 Tense, perhaps, but faultless (7)
22 Light in it, for example, goes out (6)
24 Respond to a plea to go back on the stage (5)
26 He inscribed ecclesiastical books in part (4)



Winner of Puzzle No.9,896: Maureen Brassington, Rugby

## MONDAY PRIZE CROSSWORD
### No.9,908 Set by DANTE

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday February 18, marked Monday Crossword 9,908 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday February 22. Please allow 28 days for delivery of prizes.

Name........................................

Address........................................

### Solution 9,896



### JOTTER PAD